



Cumberland Council

Statement of Accounts

Year Ending 31 March 2026

Cumberland Council

Statement of Accounts 2025/26

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Unaudited

Narrative Report

1. Introduction

- 1.1 The Statement of Accounts summarises Cumberland Council's financial performance, financial position and cash flows for the financial year ending 31 March 2026.
- 1.2 To provide context to and assist in the interpretation of the Statement of Accounts, the Narrative Report which follows provides information about the Authority of relevance to understanding its financial performance and position. This includes information about the Authority's:
- key strategic priorities and performance in delivering its main objectives
 - key risks and uncertainties in relation to future service provision
 - medium term financial strategy
 - financial performance (income and expenditure) and cash flows during the financial year, the major influences affecting performance and cash flows and how actual financial performance compares to budget
 - financial position (balance sheet) at the year end and the major influences affecting the Authority's financial position.

2. About the Council

- 2.1 Cumberland Council was established as a new unitary council on 1 April 2023 replacing three district councils (Allerdale Borough Council, Carlisle City Council and Copeland Borough Council) and a part of Cumbria County Council.
- 2.2 The local government reorganisation process instigated a significant change programme bringing together four legacy councils into one organisation, providing a once-in-a-generation opportunity to transform the way we deliver services and support our communities across Cumberland.
- 2.3 Significant progress has been made over the last three years in disaggregating former Cumbria County Council services and integrating services within the new Cumberland Council. Substantial programmes of work are continuing to put the organisational, digital and policy frameworks in place to build Cumberland Council; whilst also focusing on delivery of excellent services to our communities and securing the savings required to ensure the Council becomes a financially sustainable organisation.
- 2.4 Cumberland is located in the North West of England and includes the historic city of Carlisle to the north. Cumberland is a diverse area, both in terms of geography and history. It includes some of the country's most stunning rural and coastal landscapes, including two world heritage sites, an area of outstanding natural beauty and world class attractions that draw in millions of visitors.
- 2.5 Cumberland has a population of 280,495 and covers an area of 3,012 square km. With an average population density of 93 people per square km, Cumberland is much more sparsely populated than the national average. There are 125,500 households in Cumberland. Out with Carlisle, the population is spread across a number of smaller towns and villages. More than half of Cumberland's population live in a rural area.
- 2.6 The area has low levels of crime and many residents enjoy an excellent quality of life. However, the diversity of geography and history across the area manifests as a broad range of issues and challenges facing different communities, and a range of inequalities exist across Cumberland. Eighteen community areas in Cumberland, where approximately 28,800 (10.3%) of Cumberland's residents live, fall within the 10% most

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deprived areas in England; whilst seven community areas are amongst the least deprived.

2.7 Cumberland is relatively more deprived in aspects such as health, living environment, education and employment but less so in barriers to housing & local services, income and crime. Among local authorities in the North of England, Cumberland ranks as the 43rd most deprived, out of 62 local authorities.

2.8 The Council is a politically led organisation and has adopted a Leader and Cabinet (Executive) model. It has 46 elected members representing 46 wards across the Council area.

Council vision and priorities

2.9 The Cumberland Council Plan 2023-2027 outlines the Council's ambitions and areas of focus for the first four years, along with the fundamental principles that shape the Council's approach

2.10 The vision for the Council is to: 'Take a fresh approach to the delivery of inclusive services that are shaped by our residents and communities. By enabling positive outcomes for health and wellbeing, prosperity and the environment we will fulfil the potential of our people and our area.'

2.11 The Council's central aim is to improve the health and wellbeing of our residents - it is at the heart of everything that we do. This aim is supported by a focus in four key areas. By prioritising addressing inequalities, local economies that work for local people, environmental resilience and the climate emergency and delivering excellent public services, we can make an impact on the factors that improve health and wellbeing.

2.12 The Council's work in these areas is underpinned by the Cumberland Approach – the fundamental principles that shape our approach ensuring we:

- provide accessible and trusted services that listen, involve and engage; are driving change, learning and improving
- demonstrate leadership whilst working collaboratively
- think local first and sustainably and,
- focus on prevention and early intervention.

2.13 Our Values are also fundamental to the way in which we operate as an organisation, how we approach service delivery, and how we interact with our residents and other stakeholders.

2.14 In everything we do we aim to be: compassionate; innovative; empowering; ambitious; and collaborative.



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- 2.15 The Council is nearing completion of phase one of its transformation plans. The broad aim of this initial phase has focused on.
- achieving long-term financial sustainability by reducing overspend, avoiding cost and increasing income
 - delivering high-performing, quality services that deliver better outcomes for our residents – using data and insight, technology, innovation and efficient processes and,
 - implementing a new operating model for Cumberland - by managing demand, setting a new culture, shifting to a prevention model, early engagement with residents and focusing on pre-front door and self-service.

- 2.16 Planning is currently underway for the next phase of transformation work

Delivery Plan and performance reporting

- 2.17 The Council Plan Delivery Plan describes the key activity that will be delivered to meet the priorities, objectives and ambitions set out in the Council Plan alongside a set of key performance metrics and related targets across the five outcome areas included in the Council Plan.
- 2.18 The Council has a Performance Management Framework in place which sets out how the Council manages performance. This includes quarterly performance and finance reports to the Executive on the current position – including progress against the Medium-Term Financial Plan, Key Performance Indicators and activity milestones aligned to the programmes of work set out in the Council Plan Delivery Plan. The latest performance reports are publicly available at Browse meetings - Executive | Cumberland Council ([Browse meetings - Executive | Cumberland Council](#)).

Services

- 2.19 The Council is responsible for ensuring a wide range of services are provided to residents, businesses, and visitors to Cumberland. As a unitary authority the Council provides all local authority services (either directly or through use of external contractors and partner organisations from the public, private and third sectors) including adult social care, children's social care, education, public health, highways, planning, housing, leisure, culture, waste collection and disposal, benefits, building control and environmental services amongst many more.
- 2.20 Services to the public are supported by a range of back-office and support functions including Finance, Property Services, Legal, IT and Human Resources. In addition to providing or commissioning services the Council is also responsible for the collection of local taxation in the form of Council Tax and Non-Domestic Rates on behalf of itself and local agencies such as Police and Fire authorities.
- 2.21 The establishment of the Cumbria Combined Authority in February 2026 has been a key development and marks a significant shift in the Council's policy and governance landscape; whilst providing exciting new opportunities in Cumbria to shape and deliver local growth plans and secure investment. The Council's collaboration with the Combined Authority will develop further over the coming months and years, with the mayoral election due to take place in May 2027.

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2.22 For resource allocation and financial reporting purposes services and support functions are allocated across eight Directorates:

Directorate	Service/Support function
Chief Executive	
Assistant Chief Executive	<ul style="list-style-type: none"> • Communications
Place and Economy	<ul style="list-style-type: none"> • Waste Collection & Disposal • Transport Services • Healthy Places • Climate • AONB (Area of Outstanding National Beauty) • Arts, Culture & Heritage, Leisure • Public Places • Highways Assets & Strategy • Highways Delivery • Infrastructure Planning • Flooding & Coastal Management • Countryside Access • Planning & Building Control • Economic Development • Clean Growth (Inc Nuclear) • Destination Management & Tourism • Regeneration • Connecting Cumbria
Public Health, Customer & Community Wellbeing	<ul style="list-style-type: none"> • Area Management • Public Health • Local Committees Communities • Active Cumbria • Refugees and resettlement • Emergency Planning • Libraries • Business Support • Domestic Abuse • Communities & Localities • Public Health & Community Housing • Trading Standards • Licencing • Community Learning & Skills • Customer Services • Revenues & Benefits
Adult Social Care & Housing	<ul style="list-style-type: none"> • Older and Younger Adults • Disabilities & Mental Health • Service Provision Management • Housing • Support At Home • Community Equipment Service
Children & Family Wellbeing	<ul style="list-style-type: none"> • Inclusive Learning • Inclusion • Teachers Pensions Agency • Cared For Service • Support & Protect Services • Youth Offending and Prevention • Early Help • Learning Improvement • Schools & Learning • Virtual School Head • SEND • Strategic Development • Children & Family Management
Corporate & Transformation	<ul style="list-style-type: none"> • Finance • Treasury Management • Registration • Internal Audit • Strategy and Policy • Performance and Analysis • Planning Policy • Internal Audit • Payroll • Programme Management Office (PMO) • Transformation Programme • Legal and Information Governance • Democratic, Members & Elections • Insurance • Records Management • HM Coroner • Registration • Procurement • Commissioning • Human Resources and Organisational Development
Innovation & Commercial	<ul style="list-style-type: none"> • ICT and Digital • Fleet Management • Car Parks • Port of Workington (POW) • Property • Health and Safety

Employee information

2.23 At 31 March 2026 the Authority employed 3,901 people (31 March 2025: 4,302) on full time and part time contracts. This excludes school-based staff.

Governance arrangements

- 2.24 A summary of the key elements of the systems and processes that comprise the Authority's governance arrangements, are set out in the Annual Governance Statement that accompanies the Statement of Accounts (section 6).
- 2.25 The Annual Governance Statement provides a summary of the arrangements established by the Authority to ensure legislative requirements, governance principles and management processes are within the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

3. The Council's key achievements and performance

- 3.1 The Council has continued its transformation journey during 2025-26 with the goal of achieving long-term financial sustainability and delivering high-performing services for our residents through implementation of an effective operating model. The Council Plan Delivery Plan translates the Council's high-level objectives into a performance framework.
- 3.2 Council performance is measured against Council Plan Delivery Plan activity and key performance indicators. Responsibility is apportioned by lead Executive member and chief officer ensuring the whole organisation is working towards the delivery of the Council Plan and that outcomes are measured and assessed. Performance in meeting the priorities set out in the Council Plan was monitored regularly throughout the year by the Council's Senior Leadership Team (SLT), Executive and Overview and Scrutiny. Quarterly performance reports can be found on the Council's website.
- 3.3 Examples of achievements and performance in 2025-26 against Council Plan priorities are listed below, organised in line with the five Plan priorities:

Improving health and wellbeing

- Cumberland has expanded its number of Family Hubs to seven, providing accessible, community-based points of support and a comprehensive Best Start in Life offer. Feedback indicates the Hubs are improving coordination, engagement and early intervention, supporting families to access the right help more quickly and locally.
- 89.5% of Council maintained schools were rated good or outstanding.
- The Council has developed strategic action plans to tackle issues including suicide prevention and mental health and is undertaking in-depth research with academic partners into suicide rates.
- Active Lives survey data shows positive increases in physical activity levels for adults, with Cumberland now better than the national average for both 'active' and 'less active' data sets. However, data shows a slight drop in the children active rate, which is just below the national average.
- Strong progress has been made with regard to the Active Cumbria Let's Move! Place Expansion work in three areas of west Cumberland. Sport England funding of £1.2m is supporting this work up to the end of March 2028.
- An Emotional Wellbeing and Neurodiversity programme (children and families) launched in November 2025 had received 918 enquiries by the end of 2025/26.
- The percentage take-up of free early education entitlement for three and four year olds was 95%, which is higher than the northwest and the same as the England value.

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- At the end of Q4, the percentage of children who received a two-to-two-and-a-half year review was almost 93%, following a significant improvement during the year.
- During 2025-26, the percentage of Health and Wellbeing Team cases closed with clients reporting positive outcomes at the end of their support package stood at 91%.
- The overall average time to process Disabled Facilities Grants from referral to completion was 110.5 days in 2025-26, against a target of 210 days.

Addressing inequalities

- The Council has distributed Neighbourhood Investment Funding of £810,548 to community groups in Cumberland through our Community Panels to support grass roots initiatives that matter to our communities.
- The Council continues to operate a Council Tax Reduction Scheme (CTRS) that provides financial support to low-income working-age households by reducing the amount of Council Tax they are required to pay, with pension-age residents supported under the national scheme.
- The proportion of pupils in local authority-maintained schools and academies eligible for free school meals in Cumberland rose to 24% in January 2026 from 23.8% in January 2025. As a Council, we introduced auto-enrolment and opt out in 2025 to ensure children who are eligible for free school meals are receiving them.
- The percentage of people prevented from becoming homeless within 56 days was 52% at March 2026 – in line with the national average.
- A total of 1,007 Disabled Facilities Grants, comprising DFGs and preventative/discretionary grants, were awarded during the year supporting people to stay in their own homes.

Local economies that work for local people

- The draft Local Plan for St Cuthbert's Garden Village, Carlisle, was submitted for Examination in October 2025 and Planning Inspectorate hearings are due to take place in late June 2026.
- The Council has worked with a range of partners to deliver skills and employability support utilising an award from the UK Shared Prosperity Fund and is working with Enterprising Cumbria in the development of the Connect to Work programme for Cumbria.
- The Council has continued to deliver significant regeneration schemes across Cumberland's towns. Several schemes have made major progress, including at Carlisle, Cleator Moor, Maryport, Millom, Workington and Whitehaven. Key milestones included the opening of the Workington Innovation Centre, identification of an operator for the Millom Old Bank Site, the grant of planning permission for the Millom Ironline and Cleator Moor hubs, the advancement of site preparation works at the Port of Workington and completion of the Hammonds Pond Skate Park in Carlisle.
- Two council-led events, Taste Maryport and Taste Cumbria, had a combined economic impact of more than £4 million.
- Over the year, the Council's Trading Standards team saved members of the public £322,000 from scams and removed more than £104,000 of illicit products from sale.
- The Council introduced eighteen new rural bus services during 2025-26 to provide much needed additional transport options for our communities.

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- The percentage of properties that have superfast broadband coverage has continued to increase across the year.
- Over the year, 151 community businesses were supported, reflecting sustained demand across Cumberland. Of these, 58 businesses progressed into funded or structured support through the Cumbria Social Enterprise Partnership.

Environmental resilience and climate emergency

- A Carbon Management Plan is being implemented to help achieve decarbonisation of the council's estate.
- A Fleet Strategy is being delivered including plans for decarbonisation across the Council's fleet
- The Council was successful in securing funding to develop Local Electric Vehicle Charging Infrastructure to decarbonise transport and has procured an EV public charging service with installation due to start during summer 2026.
- Based on available figures for April to December 2025, the Council has reduced residual household waste (Kg per household) by almost 7%.
- The Council is committed to keeping Cumberland clean and tidy. A series of deep cleans in town centres were delivered to improve the local environment for six communities and the Council has worked to increase enforcement around fly tipping and other environmental crime.

Delivering excellent public services

- The Council continued to ensure the successful delivery of disaggregation work for identified legacy countywide services. Timescales for many areas were brought forward to match the Council's ambitions of early accelerated disaggregation.
- Delivery plans are in place for transformation activity that aligns to the Council Plan and Medium-Term Financial Strategy to achieve the long-term financial sustainability of the Council and high performing quality services. Reporting and monitoring of prioritised transformation projects is ongoing for 2025-26 aligned to strategic planning and budget setting processes. Service reviews during 2024-25 included a full review of waste collection services and provision options with changes to waste collections to improve efficiency and effectiveness being introduced during 2025-26.
- The Council exceeded its pothole repairs performance target during 2025-26 with 86% being fixed to deadline.
- Around 90% of public health service requests (pests, noise, smells, food, housing conditions) were responded to within target response times during the year.
- The Council has provided high performing waste collection service to its residents with just under 99.9% of bins collected as scheduled throughout the year.
- During 2025-26, Customer Services received approximately 400,000 customer contacts. Q4 saw an improvement in the abandonment rate and reduction in waiting times, on average almost two minutes shorter than Q1.

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4. Key risks and uncertainties

- 4.1 Risk management is an integral part of good governance to which the Council is committed. The Council's Risk Management Framework supports the consistent and robust management of risks and opportunities across the Council. There are clearly defined steps to support better decision making through the understanding of risk, whether a positive opportunity or threat, and the likely impact. The risk management process was subject to review and updating through 2025-26.
- 4.2 All risks are subject to regular monitoring and are escalated/de-escalated through Directorate Management Teams and the SLT. The Audit Committee receives updates on strategic risks and mitigating actions on a quarterly basis, details of which can be found on the Council's website. The Strategic Risk Register contains details of existing and planned controls to mitigate the risks identified.
- 4.3 Key risks faced by the Council included on the Strategic Risk Register in 2025-26 are summarised in the following table:

Strategic Risk	Main Mitigations
<p>Cyber Security Arrangements - Risk that the Council will experience a significant cyber security incident.</p>	<ul style="list-style-type: none"> • Routine Network and System Scanning to identify vulnerabilities, with exception reports produced for senior management. • Participation in National Cyber Security Centre (NCSC) initiatives, including web check, public sector Domain Name System, Cyber Info Sharing Partnership, etc. • Ongoing assessment of cyber threat via security partners; the NCSC, Northwest Warning, Advice and Reporting Point (WARP) including weekly threat reports. NHS Cumbria Cyber Group in place. • Cumbria wide multiagency Local Resilience Forum (LRF) Cyber Security Subgroup in place to enable a rapid and coordinated response to any vulnerability incident. • Specialist In-house Cyber Response Team. • Cumberland Information Security Steering Group. • Cyber Security Incident Response Plans in place and subject to regular review. • Internal Technical Design Authority established to approve all new ICT technical design proposals, and a Change Advisory Board to review and approve all changes to existing software applications and infrastructure. • Tenant migration plan agreed to confirm the direction of travel for the tenant migration project. • Public Sector Network (PSN) certification. • Mandatory Information & Data Protection training. • Phishing simulation software and awareness campaigns to educate staff and test resilience against social engineering attacks. • Annual Compliance and External IT Health Checks including Maintenance of Public Sector Network (PSN) certification, PCI DSS, and NHS DSP compliance.
<p>Deliver a Financially Sustainable Authority - Risk that the Council's revenue and capital budget is insufficient to fund current and future services.</p>	<ul style="list-style-type: none"> • Active participation in specialist advisory services and national groups, e.g. Society of County Treasurers, North West Association of Directors of Adult Social Services (ADASS) Group, Local Government Association (LGA) and County Councils Network (CCN). • Modelling budgets and Medium-Term Financial Strategy (MTFS) financial implications of policy developments and funding announcements. Rigorous assessment and authorisation of significant areas of expenditure. • Budget monitoring process reporting monthly via Directorate Management Teams (DMT) and to Senior Leadership Team (SLT), focused upon the agreement of mitigating actions to control spending within approved budgets. • Improvement Panel and the Transformation Programme Board monitor ongoing financial pressures and savings in service base budgets and the management mitigations to control budgets. • National lobbying by Society of County Treasurers (SCT)/ CCN to raise awareness of inflationary and other financial pressures on Local Government. • New governance and reporting structures introduced for the Capital programme. • Consultation with Ministry of Housing, Communities and Local Government (MHCLG) Financial Sustainability team continues, to ensure that the "Cumberland voice" is heard during consultations and lobbying exercises. Update to MHCLG.

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Strategic Risk	Main Mitigations
	<ul style="list-style-type: none"> • Use of scenario planning / modelling in the budget setting process. Key assumptions and risks incorporated into formal budget reports • Outcome of national pay settlements reviewed and impact on budget position updated. • Strategic planning work reviewed reserves and planned timeline to rebuild reserves. • Information on the Business Rates reform reviewed – resetting baseline and implications.
<p>Workforce capacity, strengths, skills and relationship - Risk that the Council does not have the workforce capacity, values, skills or relationships to deliver the Council Plan or statutory services</p>	<ul style="list-style-type: none"> • People Strategy completed and approved by the Head of Paid Service. • Externally Provided Workforce (EPW) managed within each specific Directorate. • Integrated HR and Payroll system developed to allow agile self-service, management reporting, etc. • Delivery Framework and Strategic Programmes in alignment with corporate values/ behaviours/ culture. • A proactive management approach to managing sickness absence. • Recruitment to the revised HR & OD structure completed • OD and Recruitment and Retention strategy in place. • Early Careers and Apprenticeship team developed and the successful disaggregation has been completed. Team structure is now embedded.
<p>Management of 'Significant' Contracts V2 - Risk that a significant contract fails due to operational, commercial, environmental or relationship issues</p>	<ul style="list-style-type: none"> • Planned, regular contract management meetings. • Named service lead/contract manager for most contracts. • Needs assessments undertaken for each commission which ensures development of evidence base and consultation with service users to ensure that services are properly scoped and linked back to the objective. • Commissioning engagement with legal, governance, finance, ICT teams • Planned, regular contract management meetings encouraging lessons learnt exercises to ensure learning is taken on board and shared. • Governance arrangements, including Contract Procedure Rules Commissioning pipeline (People services), Permission to Procure process and Procurement Guidance • Contingency planning and risk registers for significant contracts.
<p>Safeguarding of Adults v2 - Risk that there may be a serious failure in protecting adults at risk of abuse or neglect and the Council's statutory Safeguarding Adults duties are not met in a timely manner way.</p>	<ul style="list-style-type: none"> • Cumberland service structure and key personnel in place including additional resources. • Safeguarding Adults Policy, Procedure and supporting Guidance in place. • Cumbria Safeguarding Adults Board (CSAB) multi-agency Safeguarding Adults Procedure and Guidance in place. • Performance is reported on a fortnightly basis to Adult Social Care Oversight & Assurance meetings. • Risk issues raised at weekly ASC Leadership Team meetings to identify early mitigations planning (SOLT). • Weekly partnership meetings with the Police and NCIC provide the assurance of the appropriate escalation of specific safeguarding concerns. • Current Standard Operating Procedures (SOP) updated to support arrangements from wider operational ASC teams to allocate safeguarding concerns across all teams. • Local Government Association (LGA) bespoke review improvement plan agreed at Quality and Governance meeting. • Police access to Integrated Adult System (IAS) to screen appropriate referrals to adult service in place. • Safeguarding Training programme established by Safeguarding Adult Service Manager, in collaboration with our Organisational Development Team. • Regular SG Oversight meeting with Service and Team Managers to support practice and progress complex cases. • Multi-agency Quality group meetings in place – Radar. • Quality Improvement Team established. • Regular data cleansing is undertaken to ensure waiting list accuracy. • Internal Best Interest Assessors (BIA's) on rota system utilised. • Regular liaison with the legal team to ensure cases are correctly responded to and cases due for Court are monitored.
<p>Workforce Health and Safety - Risk that the Council experiences a significant impact to the</p>	<ul style="list-style-type: none"> • Corporate Health Safety and Wellbeing Policy Statement agreed annually by Executive. • A process of communications and corporate posters has been updated in all buildings to embed the policy. • Corporate Health and Safety (H&S) intranet site has been reviewed and updated.

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Strategic Risk	Main Mitigations
<p>safety and welfare of the workforce.</p>	<ul style="list-style-type: none"> • Senior Leadership Team (SLT) and Lead Member receive regular H&S Position updates to be assured of health and safety governance in place for any future pandemics and wider risks. • Introduction of Occupational Safety and Health (IOSH) Leading Safely programme continues. • Corporate and Directorate level Health and Safety risk assessments undertaken to prioritise resources on areas of higher risk. Generic risk assessments are being revised and placed on the Councils Intranet along with H&S Policy revisions. • Additional 'People safe' lone working devices have been rolled out to areas of the council where higher risk lone working is occurring and winter nights bringing additional anxiety or risk. • Use of E-Safety systems to report all accidents and near misses • Governance structure in place reflecting the Councils annual Health, Safety and Wellbeing Policy Statement and operating model. • Risk based H&S Business Plan established, which considers training, new areas of expertise, new technologies, etc. • H&S Business Partners established to cascade best practice within departments.
<p>Unsustainable demand and inability of Health and Social Care to keep people sufficiently safe - Risk that with increasing demand outstripping operational capacity, the Health and Social Care System is unable to keep all Adult Social Care customers sufficiently safe and supported-</p>	<ul style="list-style-type: none"> • Multidisciplinary Adult Social Care and Housing (ASCH) Assurance and Efficiency Board monitors progress against transformational / efficiency targets. • Care Quality and Governance Board in place to oversee risk management, performance, and compliance within the Council's Adult Social Care and housing services Directorate • Weekly Adult Social Care (ASC) leadership team meetings to support and maintain services across common themes of Demand Management, Workforce and Market Sustainability. Supported by Performance Dashboards showing the demand, unmet need and pressures across ASC. • Peer review in Cumberland for Care Quality Commission readiness • Assessed Support Year in Employment (ASYE) review is completed and the Apprenticeship schemes have been launched to support increased recruitment of external applicants and the development of the Social Care Academy • Additional resource for OT through the Better Care Fund (BCF) in place and is delivering additional assessment capacity. • Performance leads have worked with colleagues in Cumbria Care to develop forecasting models around service provision.
<p>Public Health Emergency - Risk that a further pandemic or major public health incident will cause significant harm and/or business continuity challenges</p>	<ul style="list-style-type: none"> • Good connectivity with UK Health Security Agency (UKHSA). Ongoing engagement over longer-term strategic arrangements. • Mutual aid across relevant neighbouring local authorities. • Health Protection Oversight Group in place. • Council Major Incident Plan in place. Arrangements in place for a co-ordinated multi agency response. • Local Resilience Forum (LRF) Pandemic flu plan in place. • Initial review and update of the LRF Pandemic plan completed. • Memorandum of understanding has been strengthened with UKHSA. • Health and Wellbeing at the heart of Cumberland policies. • Multi Agency Gold Incident Command (MAGIC) training provided to increase the qualified strategic response cohort. Additional in-house training and exercising programme in place. • Clear duty rota is in place with adequately trained and experienced staff at strategic and tactical level. • Revised pandemic plan completed

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Strategic Risk	Main Mitigations
<p>Increasing demand on Children's Services - Risk that Children's Services will be unable to deal with further increases in demand.</p>	<ul style="list-style-type: none"> • The service has developed good financial and performance management systems which are now firmly embedded in the Service and these are used across various Boards and Meetings: • Journey to Excellence Plan, Journey to Excellence Board and Monthly Performance Clinic. • External Scrutiny and Support including arrangements under the Children's Safeguarding Partnership to review and scrutinise multi-agency performance. • Work ongoing with Performance Service colleagues to implement the service needs in relation to quality and timely information. • Edge of Care children are regularly reviewed to ensure that our services are working with the right children to prevent unnecessary entry to care. • Legal and Placement Panel is in place to agree any planned entry of children into care and provides authorisation to undertake court proceedings. • Ongoing proactive fostering recruitment campaign. • Increased capacity of Practice Educators to increase students from HEI's and Step UP fast track program. • Step Up to Social Work progressing and students to commence placements in January 2025. • Regional Cumbria EPW rate agreed. • YJS improvement plan monitored via Journey to Excellence Board. • SEND Inspection and external peer audits undertaken • SEND Self Evaluation exercise • SEND and Alternative Provision (AP) Local Area Partnership action tracker in place to monitor progress via the SEND and AP Strategic Partnership Board and Journey to Excellence Board.
<p>Culture - Risk that a failure to deliver the Operating Model within the culture, values and behaviours of the Council will negatively impact on the delivery of services and the Council Plan.</p>	<ul style="list-style-type: none"> • Embedding the Council plan and vision in the Being A Cumberland Manager mandatory programme. • Rolling programme of Team development sessions and leadership training for Managers, including transformational leadership module. • Visible leadership and communications. Question and Answer Teams sessions and Frequently Asked Questions. • Change Champions network which feedback to Senior Leadership Team (SLT), Extended Leadership Team (ELT) and Directorate Management Teams (DMT). • Equality, Diversity and Inclusion (EDI) Strategy in place and working towards EDI Charter in line with the Councils Equalities objectives. • Workforce induction and New Employee induction will embed the Operating Model and corporate values. • KPIs in place for core training, i.e. H&S, data protection, etc. • Employee Engagement Plan, Workforce Health and Wellbeing Strategy and the Volunteering Policy in place. • Staff Diversity Network and Peer Manager forum, which feedback to SLT, in place. • Essential eLearning training packages in place. • Directive listening sessions completed and feedback collated into themes for action at People and Peer manager network which meets monthly. • Wellbeing Support resources and signposting in place.
<p>ICT Infrastructure - Risk that the Council is unable to meet its technology dependent corporate priorities and objectives due to delays in harmonising the legacy authorities ICT infrastructure, network and applications.</p>	<ul style="list-style-type: none"> • ICT Hosted Service PMO project approval and prioritisation process in place. • Fortnightly meetings of the Cumberland ICT SMT (including ICT Hosted Service Managers) to support information sharing within ICT & Digital team. • Internal Technical Design Authority established to approve all new ICT technical design proposals, and a Change Advisory Board to review and approve all changes to existing software applications and infrastructure • Cumberland WAN and Domain Trust in place to enable all Cumberland staff to access key applications (Finance, HR) wherever they are working. • Successful disaggregation / aggregation of key ICT Line of Business systems, including key systems used by HR, Finance, Adult Social Care, and Education. • Disciplinary procedures applied if systems are acquired/developed without ICT Service approval. • Cross-directorate Digital, Data and Technology Board established to oversee ICT priorities, resource allocation, and risk mitigation strategies.

5. 2024-25 Budget and Medium-Term Financial Plan (MTFP)

- 5.1 The Council's General Fund (GF) Revenue and Capital Budgets for 2025-26 were approved by Cumberland Council on 4 March 2025. This represented the third budget and MTFP for the newly formed unitary authority.
- 5.2 The significant financial challenges facing Local Government are a national concern and Cumberland has felt the impact during 2024-25, as noted in the Quarter 1 and Quarter 2 monitoring position reported to Executive – relating to demand, complexity of needs and price pressures. In producing the 2025-26 budget and Medium-Term Financial Plan, work has been undertaken to address these pressures

Setting the budget and MTFP

- 5.3 Key step taken in setting the 2025-26 Budget and MTFP included:
- establishing the baseline budget, based on the approved position from 2024-25
 - reviewing identified growth and savings for 2025-26 and the future years: ensuring engagement with services and members to recognise the impact of service plans and deliver of Cumberland priorities over the coming year(s)
 - reviewing 2024-25 financial monitoring reports to identify additional service pressures and demands, and impact of previous decisions
 - reviewing and assessing the economic outlook and inflationary pressures on contracts, pay awards, energy costs etc.
 - identifying saving, efficiency and transformation opportunities
 - reviewing the funding position and underlying assumptions
 - incorporating announcements from the provisional local government finance settlement
 - considering the feedback received from the budget consultation exercise.

Cumberland Transition and Transformation

- 5.4 The ambition of Cumberland Council is to maximise the opportunities of becoming a unitary council and to develop a modern organisation and culture that is more effective and efficient.
- 5.5 In addition to costs associated with transition and transformation, the Council is also impacted by the wider cost pressures facing all local authorities, with the pace of these cost increases typically outstripping the increases in the income it receives. Significant demand pressures in key service areas, such as Children Looked After (CLA), also continue to impact the budget.
- 5.6 The 2025-26 budget accommodated significant growth pressures including those resulting from:
- the Pay Award for Council employees,
 - contractual Inflation uplifts for externally provided services, including Children Looked After, Care Leaver and Adults service(s)/care provision, leisure facility managements, grounds maintenance, waste collection services, utilities, waste disposal and transport contract(s)
 - demographic pressures, growth in service demand and increased cost of service delivery.
- 5.7 The strategic planning and budget process aims to ensure the delivery of in year savings and pressure mitigations, ensuring the long-term financial sustainability of the council. The 2025-26 budget and MTFP incorporated the Council medium term savings programme

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- 5.8 As with previous budgets, the 2025-26 budget was a risk-based budget and there were inherent risks with all transformation and savings plans. These risks include uncertainty around the timing of when savings will be delivered and the final value of that saving. This risk is balanced against the mitigations that the Council has put in place to manage the delivery of these savings, with a robust transformation governance process and where necessary through the use of reserves and contingencies.
- 5.9 The delivery of these savings is subject to Cumberland investing in its transformation plan. To support the LGR process, the sovereign councils set aside £19 million from existing reserves to establish the new unitary councils. This consequently reduced the capacity for Cumberland Council to utilise these reserves to finance budget pressures or its transformation plan.
- 5.10 A request was therefore made for exceptional financial support (EFS) to assist the Council in managing delivery of its transformation plans. This support has allowed the Council to use capital resources to fund the revenue expenditure required to establish the new council and kick-start its transformation plans.
- 5.11 By requesting EFS support, this allows this budget gap to be spread over a number of years, rather than reducing the Councils reserves, which must remain above the minimum level identified by the s151 Officer in order for the Council to remain financially sustainable

Medium Term Financial Strategy

- 5.12 An indicative Medium Term Financial Strategy (MTFS) and Medium-Term Financial Plan was published alongside the Authority's 2025-26 budget in March 2025. In line with the one-year finance settlement, this report set out a balanced one year only budget for 2025-26 along with an anticipated position for 2026-27 and 2027-28.

2025-26 Revenue Budget

- 5.13 Revenue income and expenditure covers spending and income associated with the day to day running of services. Revenue expenditure charged to the Authority's general fund expenditure is met from the following sources:
- Fees and charges
 - Government grants including unringfenced grants e.g. Revenue Support Grant
 - Council Tax and Business Rates
 - Reserves - General Fund Balances and Earmarked Reserves.
- 5.14 The Council's net revenue budget for 2025-26, including planned contributions to/from reserves, was set at £334,175k. This was subsequently increased by £3,318k to £337,493k to reflect:
- Parish precept expenditure of £6,020k
 - Reallocation of the contribution to reserves budget from business rates income to reflect the ringfenced nature of the Kingmoor Park Enterprise Zone – increasing the business rates income by £887k offset by an equivalent increase to the budgeted contribution to reserves (no net impact on budget)
 - Additional service expenditure of £11,084k funded from the use of earmarked reserves
 - Reduction in service expenditure of (£14,673k) contribution to reserves (including Kingmoor Park Enterprise Zone referenced above)

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5.15 The Council's 2025-26 revenue budget was funded as follows:

	Original £'000	Revised (Draft) £'000	Revised (Final) £'000
Revenue support grant	(12,993)	(12,993)	(12,993)
Social Care Grant	(37,358)	(37,358)	(37,358)
PFI Grant	0	0	0
Other government grants (Inc. New Homes Bonus)	(6,259)	(6,259)	(6,259)
Extender Producer Responsibility (EPR)	(6,495)	(6,495)	(6,495)
Council tax - excluding parish element	(178,725)	(178,725)	(178,725)
Council tax - parish element	0	(6,020)	(6,020)
Collection fund surplus/(deficit) - Council Tax	(767)	(767)	(767)
NNDR funding (including s31 grant)	(92,506)	(93,393)	(93,393)
Collection fund surplus/(deficit) – Business Rates	2,525	2,525	2,525
Total funding available	(332,578)	(339,485)	(339,485)
Net movement to Earmarked Reserve Balances	(1,597)	(4,697)	1,992
Use of General Fund	0	0	0
Total Funding included in revenue budget	(334,175)	(344,182)	(337,493)

Funding Overview

5.16 The Council's net budget is funded from three main sources, council tax, business rates and government grants. In recent years central government grant funding has reduced and consequently, the ability to grow and maintain resources raised locally, such as council tax, has become even more important for financial sustainability.

Council Tax

5.17 Council tax is the most stable, sustainable and significant source of income for the Council. The Council's capacity to generate income from Council tax is underpinned by the tax base (i.e. the number of Band D equivalent properties in the area) and the level of the Band D charge set by the Council.

5.18 The tax base for was calculated using data as at December 2024 and incorporated the impact of the relevant council tax discounts, exemptions, and premiums as well as the impact of the council tax reduction scheme. The level of the Band D charge for 2025-26 incorporated both the increase in core council tax and adult social care precept.

Council Tax Level

5.19 The 2025-26 Local Government financial settlement set the referendum thresholds for increases in Council tax in 2024-25 at 3% for the Authority's relevant basic amount of council tax plus a further 2% for increases in the adult social care precept. Any increase above these thresholds would be subject to a local referendum.

5.20 The 2025-26 budget was based on an average increase in the Band D council tax for Cumberland of 4.99%.

Non-domestic rates (NNDR) (Business Rates)

5.21 Under the business rates retention scheme, 49% of business rates (NNDR) collected is retained by the Council. The remainder is paid to Central Government (50%) and Cumbria Police, Fire and Crime Commissioner (1%).

5.22 The scheme also provides for certain receipts to be treated as being outside the scheme and retained in their entirety by the Council. The Council is also able to retain the growth in the local share of business rates.

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- 5.23 A system of top-up and tariffs ensures the Council's share of estimated business rates income (business rates baseline) does not exceed the level of funding to be provided through the business rates retention scheme (baseline funding). Tariffs, top-ups, and baseline funding levels are normally indexed each year in line with the small business rates multiplier. Top-up, tariffs, and baseline amounts were also adjusted to ensure the impact of the 2022 revaluation was revenue neutral for local authorities.
- 5.24 For 2025-26, government maintained its position in relation to fully compensating Authorities for any freezing of the business rates multiplier and for the cost of awarding any non-discretionary reliefs, by way of a grant payment made under Section 31 of the Local Government Act 2003.
- 5.25 The amount of business rates income available to the Council's general fund and taken into account when setting the budget, is based on an estimate made in January preceding the start of the financial year and included in the government return NNDR 1 (i.e. January 2025 for the 2025-26 Financial Year). The estimate of business rate income, reported in the government return NNDR 1, also determines how much the Council must pay to Central Government and the Cumbria Police, Fire and Crime Commissioner during the course of the year.
- 5.26 The estimate of business rates income takes into consideration any projected changes in the NNDR tax base, estimated losses due to appeals and expected collection rates.
- 5.27 With amounts paid to central government and the Cumbria Police, Fire and Crime Commissioner, and the amount retained by the Council fixed at the outset of each year (based on the estimates included in the Council's NNDR 1 return) any difference between estimated amounts and the actual amounts receivable will result in a surplus, or deficit on the Council's Collection Fund. An estimate must therefore be made by the Council of the surplus or deficit on the Collection Fund at the end of the previous financial year. This estimated amount is then shared between the Council, Police, Fire and Crime Commissioner and central government and added (or subtracted) from each Authorities share of the following year's non-domestic rating income.

2025-26 Capital Budget

- 5.28 The Authority's 2025-26 capital budget (approved March 2025) was set at £298.505m. This included £23.439m of capitalised revenue costs associated with the Council's application to central government for exceptional financial support (capitalisation direction). This was part of a three-year capital programme (2025-26 to 2027-28) totalling £428.754m. During the year the capital budget for 2025-26 was reduced to £191.716m to reflect:
- £23.654m budget carry forward from 2024-25
 - net in-year budget growth adjustments of £54.909m, including the addition of expenditure budgets associated with grant funding awarded after approval of the 2025-26 capital budget and the removal of budgets associated with grants repaid to funding bodies during the current year,
 - growth adjustments of £0.150m approved as part of the 2026-27 budget report less
 - reprofiling adjustments of £185.502m approved during 2025-26.

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- 5.29 Capital expenditure, included in the capital budget, covers expenditure on projects such as acquisition, construction and enhancement of property plant and equipment. It also includes items such as grants towards capital expenditure incurred by third parties (for example Disabled Facilities Grants).
- 5.30 Resources available to finance capital expenditure include:
- capital receipts (for example usable proceeds from asset sales)
 - grants and contributions from third parties
 - direct financing from revenue/use of general fund balances.
- 5.31 Capital expenditure that is not financed up-front from these resources will increase the Authority's underlying need to borrow, as measured by the capital financing requirement (CFR).
- 5.32 Significant projects within the 2025-26 capital programme include:
- £65.520m Carlisle Southern Link Road (CSLR)
 - £31.959m Towns deal projects - Cleator Moor, Millom, Carlisle and Workington
 - £26.513m Highways Maintenance Capital Grant Funded projects
 - £5.799m Prioritised Capital Maintenance Projects/Schools Maintenance
 - £5.379m Disabled Facilities and Housing Grants
 - £3.735m Fleet Replacement
 - £3.612m Workington Gateway (Levelling Up)
 - £11.605m Exceptional Financial Support.

6. Financial Performance

Financial Management: Revenue expenditure compared to budget

- 6.1 The table below shows the Authority's actual expenditure for 2025-26 compared to budget and how that expenditure was financed. A detailed report including commentary on reported variances is included on the Council Forward Plan to be presented to Cumberland Council's Executive in September 2026. In advance of that Executive meeting, an initial draft 2025-26 outturn position is to be reported to the Council's Business and Resource Overview Committee in June 2026

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6.2 The final outturn position for 2025-26 is summarised below:

Summary Position against Budget – 2025-26

	Budget £'000	Actual £'000	Variance £'000
Chief Executive	218	215	(3)
Assistant Chief Executive	907	1,168	261
Place and Economy	62,531	61,595	(936)
Public Health, Customer and Community Wellbeing	15,733	17,577	1,844
Adult Social Care & Housing	91,322	93,501	2,179
Children & Family Wellbeing	84,597	95,164	10,567
Innovation and Commercial	19,647	17,220	(2,427)
Corporate and Transformation	56,518	50,529	(5,990)
Expenditure on services¹	331,473	336,968	5,495
Parish precepts	6,020	6,020	0
Net service expenditure	337,493	342,989	5,495
Taxation & Unringfenced grants	(339,485)	(341,150)	(1,665)
Net (surplus)/deficit for year	(1,992)	1,838	3,830
Use of Earmarked GF Balances to finance capital expenditure	0	0	0
Net charge/(credit) to GF	(1,992)	1,838	3,830

Outturn Variances

6.3 Net expenditure on services for the year to March 2026 was £336,968k compared to a budget (excluding planned transfers to Earmarked reserves) of £331,473k resulting in a net adverse variance of £5.495m. Significant variances underpinning this position include:

- adverse variance relating to the Children and Family Wellbeing Directorate most notably as a result of increase in SEND Transport and Cared for Children (CFC) demand and cost pressures and overspends in relation to continued use of agency staff during 2025-26.
- favourable variances in relation to treasury management (Corporate and Transformation Directorate), reflecting lower borrowing costs incurred and additional income from investments.

6.4 Parish precepts paid during the year totalled £6,020k. Parish precepts are fully funded from the Council Tax Precept levied on the Collection Fund.

6.5 Total income from taxation and un-ringfenced grants was £341,150k compared to a budget of £339,485k, resulting in a favourable variance of £1,665k. This related to minor increase in General Grants, increased Extender Producer Responsibility (EPR) announced during the financial year and increased s.31 grant received in relation to business rates, based on actual reliefs provided to rate-payers during 2025-26.

6.6 Overall, the draft outturn position is showing an adverse position in relation to the impact on GF balances, the total charge against GF balances totals £1,838k comprising:

- an actual net increase in earmarked General Fund balances totalling (£1,990k) compared to a revised budget of (£1,992k) – with no variance being reported

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- an actual decrease in un-earmarked General Fund balances totalling £3.828m compared to a nil budgeted use - an adverse variance of £3.828m

6.7 The following table summarises the impact of the final outturn position on the Council's General Fund and Earmarked (general fund) balances.

Summary of movements in General Fund balances

	General Fund	Earmarked (E/M) Reserves	Total
	£'000	£'000	£'000
Balance brought forward at 1 April 2024	32,512	80,636	113,148
Impact of adopting new accounting standards	0	0	0
Balance at 1 April 2023	32,512	80,636	113,148
Net Transfers between GF and E/M balances	0	0	0
Planned use of GF to support the Revenue budget	0	0	0
Additional contribution to GF (CCH dividend)	0	0	0
Unbudgeted use of GF to support the Revenue Budget	(1,838)	0	(1,838)
Use of reserves to fund capital expenditure	0	0	0
Budgeted use of E/M Reserves - funding (NNDR)	0	0	0
Use of E/M Reserves to fund revenue expenditure	5,883	(5,883)	0
In year deficit transferred to ringfenced Schools Reserves	5,199	(5,199)	0
Planned/budgeted Transfers to/(from) E/M Reserves	1,597	(1,597)	0
Additional/un-budgeted transfers to/(from) E/M Reserves	(14,515)	14,515	0
Additional/un-budgeted transfers to/(from) Capital E/M Reserves	(154)	154	0
Total planned/actual contributions to/(from) reserves	(3,828)	1,990	(1,838)
Balance carried forward	28,684	82,626	111,310

2025-26 revenue expenditure covered by exceptional financial support (EFS) - capitalisation

- 6.8 Critical to the delivery of balanced budget in 2025-26 was the award of exceptional financial support by central government to support transformation and transition costs following reorganisation.
- 6.9 Exceptional financial support does not provide the Council with additional funding it does however allow revenue expenditure to be capitalised and funded from capital resources (e.g. capital receipts and capital grants) or borrowing. Whilst the Secretary of State has yet to issue a formal Capitalisation Direction for 2025-26, the letter received from Government in February 2025, confirming the Secretary of State is 'minded to approve a Capitalisation Direction of a total not exceeding £23.439m', provides sufficient assurance that a formal capitalisation will be issued in due course. The statement of accounts for 2025-26 has therefore been prepared on the basis that a capitalisation direction permitting revenue expenditure to be capitalised will be issued.
- 6.10 The final outturn position for 2025-26 includes the capitalisation of £11.605m of revenue costs in accordance with the expected Capitalisation Direction. This includes expenditure on the engagement of additional capacity and specialism to support project delivery and internal enabling service functions.
- 6.11 Budget reports, including the outturn position summarised above, are prepared on a statutory basis (also referred to as the funding basis) reflecting amounts chargeable to the general fund under statutory provisions. This differs from the accounting policies

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(accounting basis) used in preparing the financial statements in accordance with the Code of Practice on Local Authority Accounting. Details of the adjustments made to Net Expenditure Chargeable to the General Fund (GF), to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts, are summarised in the Expenditure and Funding Analysis (see note 6 to the financial statements).

Financial Management: Capital expenditure compared to budget

- 6.12 The following tables show capital expenditure in 2025-26 compared to budget and how that expenditure was financed.

Directorate	Current Budget £'000	Outturn ¹ £'000	Outturn Variance £'000	Budget C/Fwd £'000	Variance £'000
Capital expenditure					
Adult Wellbeing and Housing	6,813	7,705	892	(892)	0
Children and Family Wellbeing	9,505	8,310	(1,195)	1,195	0
Place and Economy	150,136	146,780	(3,356)	2,831	(525)
Innovation and Commercial	13,657	12,106	(1,551)	1,484	67
Exceptional Financial Support	11,605	11,605	0	0	0
	191,716	186,506	(5,211)	4,618	(593)
Credit Arrangements (Leases)	0	0	0	0	0
Total Capital Expenditure	191,716	186,506	(5,210)	4,618	(592)
Financing of Capital expenditure					
Capital Grants & Contributions	151,957	151,221	(736)	732	(4)
Capital Receipts	1,872	2,312	440	(438)	2
Revenue Contributions	705	709	4	(1)	3
Borrowing	37,182	32,264	(4,918)	4,325	(593)
Credit Arrangements (Leases)	0	0	0	0	0
Total Financing	191,716	186,506	(5,210)	4,618	(592)

- 6.13 The Authority spent £186.506m on its capital programme in 2025-26 compared to the current (revised) capital budget of £191.716m. This expenditure was financed through a combination of prudential borrowing, government grants, capital receipts and contributions from earmarked and unearmarked General Fund balances.
- 6.14 The variance (net underspend) between the current capital budget and outturn for the year was £5.210m. This variance is largely attributable to changes to the profile of expenditure on schemes across financial years rather than the overall amount of expenditure.

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- 6.15 Key elements of the underspend in 2025-26 and budget carry-forward (including reductions to the 2026-27 capital budget to cover current year overspends) include:

Outturn Variance (Under)/overspend £'000	Budget C/Fwd (reduction) £'000	Scheme
709	(709)	Mandatory Disabled Facilities Grants & Housing Grants
(749)	749	Devolved Formula Capital
(1,393)	1,393	Sands Centre Development
(505)	505	Coastal Programme - Phase 1 and 2
(706)	706	DfT funded Flood Recovery Scheme
(502)	502	A595 Bothel
(1,223)	1,223	Wheeled Bins
(1,008)	933	Corporate Property Planned Maintenance and improvement
(661)	660	Modernising the Estate
(6,038)	5,962	
828	(1,344)	Other schemes (net variance)
(5,210)	4,618	

- 6.16 After budgets carry-forward adjustments the residual variance was £5.279m. The main component variance was the underspend on expenditure capitalised under the EFS support package of £5.043m.

7. Financial position at the Balance Sheet date

- 7.1 The following table summarises the Authority's financial position at 31 March 2026.

	At 31 March 2026 £'000	At 31 March 2025 £'000	Year on Year change £'000
Non-current assets	1,484,925	1,372,040	112,885
Net current assets: debtors, stock & cash less short-term creditors & liabilities	(46,394)	28,056	(74,450)
Long-term liabilities & provisions	(380,320)	(436,045)	55,725
Net assets	1,058,211	964,051	94,160
Represented by:			
Revenue reserves (General Fund & Earmarked)	(111,310)	(113,148)	1,838
Other useable reserves (capital)	(13,404)	(14,075)	671
Unusable reserves	(933,497)	(836,828)	(96,669)
Total Reserves	(1,058,211)	(964,051)	(94,160)

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Significant balance sheet movements during 2025-26

7.2 During 2025-26:

- The carrying value of the Authority's non-current assets, including property, plant and equipment (PPE), investment property and long-term investments increased by £112.885m. Underpinning this increase is an increase in the carrying value of PPE of £109.721m, comprising:
 - a net revaluation uplift of £12.166m,
 - additions of £153.742m
 - transfers and lease remeasurements £82k and £513k respectively less
 - depreciation of £53.155m
 - disposals of £3.627m
- Net current assets fell by £74.450m to £46.394m (net current liability) at 31 March 2026. The key items underlying this decrease in net current assets are:
 - £55.803m decrease in short-term debtors and prepayments balances
 - increase in short-term borrowing of £45.529m reflecting the reclassification of loan debt falling due within one year of £46.218m from long-term to short-term borrowing, movements in accrued interest and other accounting adjustments included in the carrying value of loan debt of £517k less scheduled repayments of £1.206m
 - £26.305m increase in Grants & Contributions Receipts in Advance, less
 - £18.359m decrease in short-term creditors
 - £32.502m increase in cash and cash equivalents (see Cash Flow statement below).
- Long-term liabilities decreased by £55.725m, underpinned by:
 - a decrease in long-term borrowing of £46.231m reflecting the reclassification of borrowing from long-term to short-term (current) liabilities of £46.218m and other accounting adjustments included in the carrying value of loan debt of £13k
 - a reduction in long term creditors of £6.212m reflecting the remeasurement of lease and service concession liabilities in accordance with IFRS16 -Leases, and adjustments to reflect the movement in the classification of lease and service concession liabilities between current and non-current (long-term) liabilities, less
 - a decrease in Grants & Contributions Receipts in Advance balances of £1.785m.

Valuation of non-current assets

7.3 The Authority has adopted a rolling programme of revaluations over a five-year cycle, with annual indexation applied to assets during the four intervening years. This is applied to the following categories of non- investment assets:

- Operational - Other land and buildings
- Non-operational surplus land and buildings
- Right-of-use (leased) assets measured at current value in accordance with the Code.

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- 7.4 Where an index is not available or cannot be obtained without undue cost or effort, the Authority revalues the asset concerned using a quinquennial revaluation, supplemented by a desktop revaluation in year three. In 2025-26 desktop revaluations were undertaken on assets previously subject to a full revaluation at March 2023.
- 7.5 Quinquennial and desktop revaluations undertaken in 2025-26, resulted in the recognition of net revaluation gains of £4.299m, comprising net gains of £6.778m credited to the revaluation reserve, and £2.479m charged to the Comprehensive Income and Expenditure Statement (CIES) and reversed out to the Capital Adjustment Accounts within the Movement in Reserves Statement.
- 7.6 Annual indexation resulted in net gains of £7.867m, comprising gains of £6.952m credited to the revaluation reserve, and £0.915m credited to the Comprehensive Income and Expenditure Statement (CIES) and reversed out to the Capital Adjustment Accounts within the Movement in Reserves Statement.
- 7.7 Investment Property and Assets Held for Sale are revalued annually. During 2025-26, the fair value of the Authority's investment properties fell by £1.517m.

Defined Benefit Pensions Asset/Liability

- 7.8 The Authority offers retirement pensions to its staff under a statutory scheme and also makes contributions on their behalf. Although the pension benefits are not payable until employees retire, the Authority has a commitment to make the payments and must account for them in the year in which the future entitlements are earned. This commitment is compared with the pension fund assets (investments) and the net amount is included in the accounts as an asset or liability.
- 7.9 At 31 March 2026 the net defined benefit pension liability was £17.300m (31 March 2025: £17.912m). This comprises:
- £9.226m (31 March 2025: £9.721m) in respect of the local government pension scheme (unfunded obligations), and
 - £8.074m (31 March 2025: £8.191m) related to additional benefits awarded upon early retirement outside of the terms of the teachers' scheme.
- 7.10 At 31 March 2026, the Authority's share of plan assets in the Cumbria Local Government Pension Scheme exceeded the Authority's defined benefit pension obligation (calculated in accordance with the requirements of IAS 19 and the Code of Practice on Local Authority Accounting) by £426.869m (i.e. a net pension asset). This compares with a net pension asset at 31 March 2025 of £358.685m.
- 7.11 Under the Code of Practice and IAS 19, measurement of a net defined benefit asset is limited to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As there is no unconditional right to a refund, available economic benefits have been assessed with reference to reductions in future contributions and future service costs, in accordance with IFRIC 14. At 31 March 2026, the estimated present value of minimum funding contributions in respect of funded liabilities exceed the estimated present value of future service costs. There is therefore deemed to be no economic benefit and the asset ceiling is calculated as £nil.
- 7.12 The adjustment to the defined benefit plan asset that results from applying the asset ceiling test is reported as part of the remeasurement of the net defined benefit pension liability/asset appearing in the Other Comprehensive Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

1: NARRATIVE REPORT

- 7.13 Underpinning the £612k reduction in the net pension liability (including the impact of the asset ceiling adjustment) during 2025-26 is:
- a £73.806m increase in the defined benefit liability, reflecting:
 - interest, current service costs, settlements and curtailments of £87.198m,
 - contributions by scheme participants of £11.513m, less
 - remeasurements of £29.105m, comprising experience losses relating to pension increases, inflation and other assumptions (including changes arising from the latest triennial valuation (i.e. to reflect membership experience over the inter-valuation period) of £47.882m, less actuarial gains associated with changes to the financial and demographic assumptions used to calculate the defined benefit liability of £17.051m and £1.726m respectively, less
 - benefits paid of £54.010m
 - an increase of £142.107m in the carrying value of the Authority's share of scheme assets reflecting:
 - an increase of £135.724m relating to net interest on plan assets of £87.404m and employer and employee contributions of £36.807m and £11.513m respectively, plus
 - re-measurement gains of £62.023m, relating to the difference between the actual investment return on plan assets (£142.566m) and the net interest on plan assets included in the CIES (£87.404m) together with an adjustment of £6.861m to reflect recalculation of the authority's share of plan assets following the 2025 actuarial valuation, less
 - benefits paid out, settlements and administration costs of £55.640m
 - an increase in the asset ceiling adjustment of £67.689m.

Short and Long-term Borrowing

- 7.14 At 31 March 2026, the Authority's external borrowing (inclusive of accrued interest and remeasurements) stood at £284.965m (31 March 2025: £285.667m). The main components of this balance are PWLB debt of £268.428m (31 March 2025: £269.121m) and commercial (LOBO) loans of £16.439m (31 March 2025: £16.448m). During the financial year the Authority made scheduled repayments of £1.206m to the PWLB (2023-24: £15.695m). No new external borrowing was undertaken during 2025-26 (2023-24: £45m).

Revenue Reserves

- 7.15 At 31 March 2026, un-earmarked general fund reserves totalled £28.684m (31 March 2025: £32.512m) and earmarked revenue reserves £82.626m (31 March 2025: £80.636m). Earmarked reserves include amounts set aside:
- to meet planned future expenditure - including budgets carried forward to meet existing commitments
 - to ring-fence unspent revenue grants where there are restrictions on use
 - as a contingency to cushion the impact of unexpected events or transactions.

1: NARRATIVE REPORT

7.16 Details of the movement in the Authority's revenue reserves during the year are summarised in the following tables:

General Fund (GF)	Budget £'000	Actual £'000	Variance £'000
Balance at 1 April 2025	32,512	32,512	0
Revenue surplus/(deficit) for year - revenue	2,697	(1,129)	(3,826)
Use of GF reserves to fund capital expenditure	(705)	(709)	(4)
Total Surplus/(deficit) for year	1,992	(1,838)	(3,830)
Net transfers between E/M and GF	(1,992)	(1,990)	(2)
Net transfer (to)/from Earmarked Reserves	(1,992)	(1,990)	(2)
Balance at 31 March 2026	32,512	28,684	(3,832)

Earmarked Reserves (E/M)	Budget £'000	Actual £'000	Variance £'000
Balance at 1 April 2025	80,636	80,636	0
Transfers to/(from) General Fund:			
Use of reserves to fund revenue expenditure	(7,482)	(7,480)	2
Use of Earmarked reserves – funding (NDR)	0	0	0
In year deficit transferred to ringfenced Schools Reserves	(5,199)	(5,199)	0
Use of reserves to fund capital expenditure	0	0	0
Total used in year	(12,681)	(12,679)	2
Transfers (to)/from General Fund:			
Planned/budgeted transfers to/(from) E/M Reserves	14,673	14,669	(4)
Net transfer (to)/from General Fund	1,992	1,990	(2)
Balance at 31 March 2026	82,628	82,626	(2)

7.17 The General Fund balance at 31 March 2026 of £28.684m (31 March 2025: £32.512m) incorporates the Authority's agreed minimum retained balance of £25.000m held to provide a contingency to protect services against unexpected events or emergencies, cushion uneven cash flows and avoid unnecessary temporary borrowing.

Other usable reserves

7.18 Other useable reserves comprise Capital Receipts Unapplied and Capital Grants Unapplied. During the year, the Authority generated capital receipts of £1,510k from the sale of property and repayment of capital grants and mortgage repayments. Capital receipts of £2.312m were applied to finance capital expenditure incurred in 2025-26. £4k was used to meet to finance the cost of pooled housing receipts to Central Government. The balance of capital receipts at 31 March 2026 is £8.707m. This includes amounts committed to finance capital expenditure in 2026-27 and future years.

7.19 At 31 March 2025, the balance of capital grants unapplied was £4.562m. During the year capital grants and contributions totalling £151.221m were applied to finance capital expenditure. This includes £2.737m relating to unapplied grants received prior to 1 April 2025. The Authority also credited grants received of £2.872m to the capital grants unapplied account during 2025-26 leaving a balance at 31 March 2026 of £4.697m. This balance is committed to finance capital expenditure in 2025-26 and subsequent years.

1: NARRATIVE REPORT

Unusable Reserves

- 7.20 Unusable reserve balances increased by £96.669mm during 2025-26. The main components of this movement were:
- £4.007m Revaluation Reserve increase
 - £96.978m Capital Adjustment Account increase
 - £0.281m reduction in the Collection Fund Adjustment Account balance reflecting an increase in disregarded income received in 2025-26 but not credited to the Authority's General Fund until 2026-27 offset by a net increase, the Authority's share of the overall Cumulative Collection Fund Deficit
 - £0.612m reduction in the deficit balance on the Pension Reserve – mirroring the movement in the net pension liability summarised above, less
 - £5.281m increase in the deficit balance on the Dedicated Schools Grant (DSG) Adjustment Account.
- 7.21 The reported movement in the Revaluation reserve balance is underpinned by:
- revaluation gains and losses associated with the revaluation and indexation of property plant and equipment of £13.730m, less
 - amounts written out to the capital adjustment account to reflect the difference between fair value depreciation and historical cost depreciation (£5.520m) and accumulated revaluation gains on assets disposed during the year (£2.917m).
- 7.22 The £96.978m increase in the Capital Adjustment Account (CAA) balance reflects the statutory accounting adjustments required to reconcile the treatment of capital expenditure for accounting purposes with that required under the statutory control framework for financing purposes. These include entries made to reverse out items relating to capital expenditure included in the CIES (such as depreciation) and recognise the statutory accounting entries associated with the setting aside resources to finance capital expenditure. Note 19.2 provides details of the items underlying the reported movement in the CAA balance.
- 7.23 The deficit reported on the Dedicated Schools Grant Adjustment Account at 31 March 2026 was £24.974m, compared to a deficit balance of £19.693m at 31 March 2025. The in-year movement reflects an overspend of £6.403m on the centrally retained share of dedicated schools grant offset by an underspend of £1.122m on the Individual Schools budget.
- 7.24 Components of the reported overspend are summarised in the following table:

Allocation	High Needs Block £000	Early Years Block £000	Central Schools Services Block £000	Total £000
Individual Schools	348	(1,872)	402	(1,122)
Centrally retained share	7,111	0	(708)	6,403
Over/(under) spend	7,459	(1,872)	(306)	5,281

1: NARRATIVE REPORT

7.25 The high needs block of the Dedicated Schools Grant (DSG) relates to funding for pupils with special educational needs and disabilities (SEND) in mainstream, special schools and independent specialist providers. This includes funding for places in special schools, resource units and alternative provision, and top up funding for pupils with Education, Health and Care Plans (EHCPs) in all settings including academies, independent special schools and further education colleges. The overspend against the high need block reflects in large part the growth - both nationally and locally- in demand for Education Health Care Plans (EHCPs) for children and young people with special educational needs.

7.26 The underspend against other DSG budgets of comprises:

- £1.872m underspend against the Early Years Block (i.e. the portion of DSG that funds the various free early years childcare and education entitlements) - due mainly to a difference between the actual take-up of 2, 3 and 4 year-old free-entitlement nursery provision compared to the provisional Early Year Block funding allocation
- £0.306m underspend the schools block - the main source of revenue funding for mainstream schools.

8. Cash flows

8.1 During 2025-26, the net increase in cash and cash equivalents (i.e. short-term highly liquid investments with maturities at the date of acquisition of three months or less) was £32.502m.

	2025/26 £000	2024/25 £'000
Net Cash Flows from Operating Activities	31,921	(49,669)
Net Cash Flows from Investing Activities	7,454	(12,307)
Net Cash Flows from Financing Activities	(6,873)	24,209
Net increase/(decrease) in Cash & Cash Equivalents	32,502	(37,767)

8.2 The net cash inflow from operating activities totalled £31.921m. The key items underpinning the net cash outflow from operating activities during 2025-26 are:

- net surplus on the provision of services - £93.833m
- adjustments for non-cash items included in the surplus or (deficit) on the provision of services of £77.436m including:
 - depreciation and revaluation adjustments of £54.883m
 - a decrease in debtors of £51.175m, less
 - a decrease in creditors of £16.820m

less

- capital grants credited to surplus or deficit on the provision of services of £137.793m.
- movement in the net defined benefit pension liability £14.015m.

8.3 Significant cash flows underpinning the net cash inflow from investing activities of £7.454m include:

- cash outflows of £159.513m associated with the purchase of property plant and equipment and investment property, less
- cash inflows of £165,284m from the receipt of capital grants.

1: NARRATIVE REPORT

- 8.4 The net cash outflow from financing activities of £6.873m is underpinned by:
- a cash outflow from scheduled loan repayments of £1.206m
 - a cash outflow of £6.690m relating to the repayment of service concession (PFI) and lease liabilities, less
 - a net cash inflow of £1.290m associated with payments made to/from central government and major preceptors, in respect of precepts and settlement of the previous year's surplus or deficit on the Collection Fund, and their respective shares of council tax and business rates collected.

9 Collection Fund

- 9.1 Overall council tax income receivable in 2025-26 was £223.667m, net of discounts, reductions, exemptions and reliefs awarded to local taxpayers. This compares with £208.643m receivable in 2024-25. An increase of £15.024m (7.2%).
- 9.2 Under statutory provisions, the amount of council tax income available to the Authority's General Fund is fixed at the level determined when the council tax is set. Whilst this isolates the General Fund from the immediate impact of in year fluctuations in the amount of council tax collected, it also means any variation between expected and actual council tax collected will result in a surplus or deficit on the collection fund that must be taken into account when setting the budget for the following year.
- 9.3 Net expenditure charged against Council tax income totalled £227.822m (2024-25: £207.515m) resulting in a deficit for the year of £4.155m (2024-25: £1.128m surplus). Net charges to the Collected Fund in respect of Council Tax included:
- £224.303m (2024-25: £205.469m) relating to precepts paid major preceptors (Cumberland Council, Police and Crime Commissioner for Cumbria and Cumbria Commissioner Fire & Rescue Authority)
 - £2.588m (2024-25: £2.399m) adjustments for write-offs and changes in the allowance for uncollectable amounts (doubtful debts),
 - £931m contribution towards previous year's estimated surplus (2024-25: £353k deficit).
- 9.4 At 31 March 2026 the cumulative deficit on the Collection Fund in respect of council tax was £3.914m. The Council's share of that deficit is £3.224m. This compares with a cumulative surplus at 31 March 2025 of £241k surplus of which the Council's share was £198k.

Business Rates (NNDR)

- 9.5 In 2025-26, Business rates income receivable was £118.441m. An increase of £8.957m (8.18%) compared to 2024-25.
- 9.6 As with council tax, the Authority's demand on the Collection Fund in respect of business rates is fixed prior to the start of the financial year, based on estimates for the forthcoming year and included in the government return NNDR 1. Amounts paid to Central Government and Cumbria Commissioner Fire & Rescue Authority in respect of their respective shares of business rates income are similarly fixed prior to the outset of each year. As a consequence, any difference between estimated amounts and the actual amounts receivable will result in a surplus or deficit on the Council's Collection Fund.

1: NARRATIVE REPORT

- 9.7 Consistent with the estimates of business rate income for 2025-26 reported to government on form NNDR 1 prior to the start of the year, total payments made from the Collection Fund to Cumberland Council, Central government and Cumbria Commissioner Fire & Rescue Authority totalled £113.245m (2024-25: £110.122m). Other items charged or credited to the Collection Fund in respect of business rates totalled £1.319m (2024-25: £2.908m). These items include:
- income of £5.448m (2024-25: £6.688m) in respect of the contributions made by precepting bodies towards previous year's estimated deficit £5.150m (2024-25: £5.420m) and Transitional Protection Payments of £298k (2024-25: £1.268m), plus
 - £1.253m (2024-25: £443k) reduction in the provision for NNDR appeals, less
 - expenditure of £5.382m (2024-25: £4.223m) related to the cost of collection, interest charges, disregarded amounts, write-offs and changes in the allowance for uncollectable amounts.
- 9.8 This has resulted in a surplus for the year in respect of business rates of £6.515m (2024-24: £2.270m surplus).
- 9.9 At 31 March 2026, the cumulative surplus in respect of business rates was £1.232m (31 March 2025: £5.283m deficit). The Council's share of that surplus is £604k (31 March 2025: £2.613m share of deficit).

10. The Financial Statements

- 10.1 The Statement of Accounts summarises the Authority's transactions for the 2025-26 financial year and its financial position at 31 March 2026. The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025-26, supported by International Financial Reporting Standards (IFRS).
- 10.2 The Statement of Responsibilities for the Statement of Accounts sets out the responsibilities of the Authority and Authority's Chief Financial Officer in relation to the Statement of Accounts.

Financial Statements

- 10.3 The Financial Statements, set out in sections 2 to 5, consist of:
- Single entity (Authority only) financial statements comprising:
 - (i) Comprehensive Income and Expenditure Statement for the period
 - (ii) Movement in Reserves Statement for the period
 - (iii) Balance Sheet as at the end of the period
 - (iv) Cash Flow Statement for the period
 - (v) Notes, comprising significant accounting policies and other explanatory information
 - (vi) Accounting policies
 - Collection Fund and related notes (section 4)

Comprehensive Income and Expenditure Statement

- 10.4 The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the

1: NARRATIVE REPORT

accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Movement in Reserves Statement

- 10.5 This statement shows the movement from the start of the year to the end on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in the Authority's reserves during the year are broken down between gains and losses incurred in accordance with generally accepted accounting practices (Total Comprehensive Income and Expenditure) and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movement in the year following those adjustments.

Balance Sheet

- 10.6 The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories.
- (i). Usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.
 - (ii). Unusable reserves, i.e. those that cannot be applied to fund expenditure or reduce taxation. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement

- 10.7 This statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

Collection Fund

- 10.8 The Collection Fund statement reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Authority in relation to the collection from taxpayers and distribution to local authorities and Central Government of council tax and business rates (non-domestic rates - NDR).

Glossary

- 10.9 A glossary of key terms used in the financial statements can be found in section 7.

1: STATEMENT OF RESPONSIBILITIES

[1] Cumberland Council's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts. In this Authority, that function is delegated to the Audit and Risk Committee.

[2] The Chief Finance Officer's Responsibilities

The Chief Finance Officer (the Section 151 Officer) is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The Chief Finance Officer has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

[3] Status of the Statement of Accounts

The Statement of Accounts accompanying this statement is currently unaudited and therefore may be subject to change.

[4] Certification by the Chief Finance Officer

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at 31 March 2026 and its income and expenditure for the year ended 31 March 2026.

Catherine Bell FCCA
Chief Finance Officer (Section 151 Officer)
Cumberland Council

Dated: 30 June 2026

1: AUDITOR'S REPORT

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Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

	Note	2025/26			2024/25		
		Expend. £'000	Income £'000	Net £'000	Expend. £'000	Income £'000	Net £'000
Chief Executive		242	0	242	245	0	245
Assistant Chief Executive		1,232	(115)	1,117	978	(61)	917
Corporate & Transformation		42,205	(6,153)	36,052	46,336	(6,274)	40,062
Innovation & Commercial		49,218	(19,290)	29,928	44,260	(20,579)	23,681
Place and Economy		157,833	(61,751)	96,082	159,681	(69,928)	89,753
Public Health, Customer & Community Wellbeing		81,645	(65,008)	16,637	93,026	(76,468)	1,6558
Adult Social Care & Housing		202,104	(132,986)	69,118	186,415	(120,602)	65,813
Children & Family Wellbeing		352,821	(268,777)	84,044	338,822	(254,661)	84,161
Cost of Services		887,300	(554,080)	333,220	869,763	(548,573)	321,190
Other Operating Expenditure	9			9,586			6,221
Financing & Investment Income & Expenditure	10			17,109			12,853
Surplus or deficit on discontinued operations				0			0
Taxation and non-specific grant income & expenditure	11			(453,748)			(438,466)
(Surplus) or Deficit on Provision of Services				(93,833)			(98,202)
Items that will not be reclassified to (Surplus) or Deficit on Provision of Services							
(Surplus)/deficit on revaluation of non-current assets				(13,730)			(20,492)
Remeasurement of the net defined benefit liability	37			13,403			942
Other Comprehensive Income & Expenditure				(327)			(19,550)
Total Comprehensive Income & Expenditure				(94,456)			(117,752)

2: FINANCIAL STATEMENTS

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end of the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in the Authority's reserves during the year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movement in the year after making those adjustments.

2025/26	General Fund Balance ¹	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	(Note 18) £'000	(Note 19) £'000	£'000
Balance at 1 April 2025	(113,148)	(9,513)	(4,562)	(127,223)	(836,828)	(964,051)
(Surplus) or deficit on provision of services	(93,833)	0	0	(93,833)	0	(93,833)
Other Comprehensive Income and Expenditure	0	0	0	0	(327)	(327)
Total Comprehensive Income and Expenditure	(93,833)	0	0	(93,833)	(327)	(94,160)
Adjustments between accounting basis & funding basis under regulations (note 17)	95,671	806	(135)	96,342	(96,342)	0
Net (Increase)/Decrease in Year	1,838	806	(135)	2,509	(96,669)	(94,160)
Balance at 31 March 2026	(111,310)	(8,707)	(4,697)	(124,714)	(933,497)	(1,058,211)

¹ The general fund balance at 31 March 2026 comprises earmarked balances of £82,626k (31 March 2025: £80,636k) and un-earmarked general fund balance of £28,684k (31 March 2025: £32,512k).

2024/25	General Fund Balance ¹	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	(Note 18) £'000	(Note 19) £'000	£'000
Balance at 1 April 2024	(107,613)	(11,382)	(3,837)	(122,832)	(723,467)	(846,299)
(Surplus) or deficit on provision of services	(98,202)	0	0	(98,202)	0	(98,202)
Other Comprehensive Income and Expenditure	0	0	0	0	(19,550)	(19,550)
Total Comprehensive Income and Expenditure	(98,202)	0	0	(98,202)	(19,550)	(117,752)
Adjustments between accounting basis & funding basis under regulations (note 17)	92,667	1,869	(725)	93,811	(93,811)	0
Net (Increase)/Decrease in Year	(5,535)	1,869	(725)	(4,391)	(113,361)	(117,752)
Balance at 31 March 2025	(113,148)	(9,513)	(4,562)	(127,223)	(836,828)	(964,051)

¹ The general fund balance at 31 March 2025 comprises earmarked balances of £80,636k (31 March 2024: £76,835k) and un-earmarked general fund balance of £32,512k (31 March 2024: £30,778k).

2: FINANCIAL STATEMENTS

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves covers those that the Authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve) and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

	Note	At 31 March 2026 £'000	At 31 March 2025 (restated) £'000
Property, Plant & Equipment	20	1,296,355	1,186,634
Heritage Assets	21	28,496	28,506
Investment Property	22	154,157	151,320
Intangible Assets	-	725	268
Long-term Investments	24	4,768	4,768
Long-term Debtors	-	424	544
Long-term (Non-Current) Assets		1,484,925	1,372,040
Assets Held for Sale	-	0	0
Inventories	-	1,221	1,213
Short-term Debtors	25	111,559	170,829
Prepayments	-	14,523	11,056
Cash and Cash Equivalents	27	125,841	86,486
Current Assets		253,144	269,584
Bank Overdraft	27	(8,516)	(1,663)
Short-term Borrowing	28	(49,477)	(3,948)
Short-term Creditors	29	(124,388)	(142,747)
Grants & Contributions Receipts in Advance	30	(99,290)	(72,985)
Contract and Other liabilities	31	(8,877)	(8,413)
Provisions	32	(8,990)	(11,772)
Current Liabilities		(299,538)	(241,528)
Long-term Creditors	33	(102,314)	(108,526)
Grants & Contributions Receipts in Advance	34	(16,510)	(18,295)
Other Long-term liabilities	35	(6,873)	(7,402)
Provisions	32	(1,835)	(2,191)
Long-term Borrowing	28	(235,488)	(281,719)
Defined Benefit Pension Scheme	37	(17,300)	(17,912)
Long-term Liabilities		(380,320)	(436,045)
Net Assets		1,058,211	964,051
Usable Reserves	18	(124,714)	(127,223)
Unusable Reserves	19	(933,497)	(836,828)
Total Reserves		(1,058,211)	(964,051)

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

	Note	2025/26 £'000	2024/25 £'000
Net surplus or (deficit) on the provision of services	-	93,833	98,202
Adjustment to surplus or (deficit) on the provision of services for non-cash movements	40	77,436	(215)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	40	(139,348)	(147,656)
Net cash flows from Operating Activities		31,921	(49,669)
Net cash flows from Investing Activities	41	7,454	(12,307)
Net cash flows from Financing Activities	42	6,873	24,209
Net increase or (decrease) in cash and cash equivalents		32,502	(37,767)
Cash and cash equivalents at the beginning of the reporting period	27	84,823	122,590
Cash and cash equivalents at the end of the reporting period	27	117,325	84,823

1. Statement of Accounting Policies – Basis of Preparation

Single entity (Authority only) accounts

The Statement of Accounts summarises the Authority's transactions for the 2025-26 financial year and its financial position at 31 March 2026. The Accounts and Audit (England) Regulations 2015 (as amended) require the Authority to prepare for each financial year, a statement of accounts in accordance with proper practices. Under section 21(2) of the Local Government Act 2003, these practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2025-26 (the Code), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Significant accounting policies adopted in the preparation of the Authority's single entity (Authority only) financial statements are set out in section 5. The policies disclosed have been consistently applied to all the years presented, unless otherwise stated.

2. Changes to Accounting Policies and Prior Period Adjustments

2.1 New or amended accounting standards adopted in 2025-26

The 2025-26 Code of Practice on Local Authority Accounting (the Code) adopts the requirements of the following new or amended standards, effective for the first time to annual periods beginning on or after 1 April 2025.

- IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability)
- IFRS 17 Insurance Contracts.

Information on these new or amended standards and their impact on the Authority's single entity is set out below.

(i) IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability)

Issued in August 2023, the amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates (Lack of Exchangeability) clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

Application of these amendments to IAS 21 has not impacted on amounts previously recognised in the Authority's single entity financial statements.

(ii) IFRS 17 Insurance Contracts

IFRS 17 Insurance contracts was issued in May 2017 and replaces IFRS 4 Insurance Contracts that was issued in 2005. The new standard sets out the principles for recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 applies to:

- insurance contracts including reinsurance contracts issued by the entity (regardless of the type of entities that issue them),
- reinsurance contracts held and
- investment contracts with discretionary participation features issued, provided the entity also issues insurance contracts.

3: NOTES TO THE FINANCIAL STATEMENTS

The standard does not cover insurance contracts held by a policyholder unless those contracts are reinsurance contracts held. Other contracts excluded from the scope of IFRS 17 include:

- a) warranties issued by a manufacturer, dealer or retailer
- b) employers' assets and liabilities from employee benefit plans and retirement benefit obligations reported by defined benefit retirement plans.
- c) contractual rights or contractual obligations contingent on the future use of, or the right to use, a non-financial item
- d) residual value guarantees provided by a manufacturer, dealer or retailer or embedded in a lease
- e) financial guarantees unless the issuer has previously asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contract
- f) contingent consideration payable or receivable in a business combination
- g) credit card contracts that provide insurance coverage.
- h) fixed-fee service contracts that meet all the conditions required by IFRS 17:8 (policy choice)
- i) loan contracts that meet the definition of an insurance contract but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract (policy choice).

Application of IFRS 17 has not impacted on amounts previously recognised in the Authority's single entity financial statements.

2.2 Non-investment Asset Valuation

In addition to the new or amended accounting standards adopted in 2025-26, the 2025-26 Code of Practice introduces significant reforms to the valuation of non-investment assets.

These reforms, which follow HM Treasury's Thematic Review on Non-investment Assets, have resulted in a number of changes to the Codes adaptations and interpretation of IAS 16. The main changes introduced to the 2025-26 Code and applicable prospectively from 1 April 2025 (with no restatement of prior year figures) are:

- withdrawal of the option to measure intangible assets using the revaluation model
- removal of the existing adaptation to allow both options (restatement proportionately to the change in gross carrying amount of the asset or elimination against the gross carrying amount) permitted by IAS 16 for the treatment of accumulated depreciation when assets are revalued
- withdrawal of the requirement to revalue an asset when its fair value differs materially from its carrying value (IAS 16 para 34) and the introduction of a revaluation expedient requiring revaluations of property, plant and equipment assets measured at current value to be undertaken using one of the following three processes:
 - i. a quinquennial revaluation supplemented by annual indexation in intervening years.
 - ii. a rolling programme of valuations over a five-year cycle, with annual indexation applied to assets during the four intervening years
 - iii. for non-property assets only, appropriate indices.

In rare circumstances where a reliable index cannot be obtained without undue cost or effort, authorities are required to revalue the given asset using a quinquennial revaluation supplemented by a desktop revaluation in year three. The Code does not require assets to be revalued more frequently than every three years.

3: NOTES TO THE FINANCIAL STATEMENTS

Application of the Code's requirements for measurement of non-investment assets will automatically satisfy the requirements in IAS 16 paragraphs 36 and 38 to revalue an entire class of assets within a short period.

Out of cycle valuations are not required unless there is an indication of impairment when applying IAS 36, which may require an asset to be fully revalued.

Revaluations carried out prior to 2025-26, in line with former requirements of the Code, remain valid throughout the transition period (the transition period being 1 April 2025 to the date the next revaluation is due for a given asset). During the transition period, the maximum period between revaluations must not exceed five years.

The 2025-26 Code also adds a clarification to ensure that undertaking a full revaluation should not be a default process to demonstrate there has not been a material impairment of an asset and to comply with IAS 36.

The changes in the 2025-26 Code apply to the following asset categories:

- Other land and buildings
- Vehicles, plant, furniture and equipment (excluding non-property assets that have short useful lives or low values (or both) where authorities elect to adopt a depreciated historical cost basis as a proxy for current value)
- Surplus assets
- Right-of-use assets measured at current value.

The changes do not apply to Investment Property or other categories of Property Plant and Equipment (i.e. Council dwellings, Infrastructure assets, Community assets, Assets under construction, Heritage assets).

In applying the Codes revised revaluation requirements the Authority continues to apply a rolling revaluation but has updated the frequency of valuations to revalue all assets on a quinquennial basis and discontinued the application of shorter revaluation cycles to material asset classes. Quinquennial valuations are supported by indexation in intervening years, or (in rare cases) where no index is available, by a desktop valuation in year three.

2.3 Restatement of Balance sheet comparatives

To ensure consistency with amounts reported at 31 March 2026, the following restatements have been made to previously reported balance sheet comparatives. The changes reflect:

- disclosure of Grants and Contributions Received in Advance as discrete Balance Sheet line items within current and long-term liabilities
- reclassification of short-term creditor balances to Grants and Contributions Received in Advance (£1.471m); Current liability £95k; long-term liability £1,376m
- net adjustment of £15.686m between amounts falling due within and after one year

Line item	Previously reported £000	Revised £000	Restatement £000
Current Liabilities			
Short-term Creditors	(144,218)	(142,747)	1,471
Grants & Contributions Receipts in Advance	0	(72,985)	(72,985)
Contract & Other Liabilities	(95,613)	(8,413)	87,200
			15,686
Long-term Liabilities			
Grants & Contributions Receipts in Advance	0	(18,295)	(18,295)
Other Long-term liabilities	(10,011)	(7,402)	2,609
			(15,686)

3. Critical Judgements made in applying Accounting Policies

In applying the accounting policies set out in section 5, the Authority has made certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

i. Investment Properties – determination of whether land and buildings owned by the Authority are investment properties

In accordance with the Code of Practice on Local Authority Accounting and IAS 40: Investment Property, the Authority classifies as investment property properties (i.e. land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for:

- a) use in the production or supply of goods or services or for administrative purposes, or
- b) sale in the ordinary course of operations.

In accordance with IAS 40, the Authority classifies property held for a 'currently undetermined future use' as investment property and measures these assets at fair value based on the amount that would be paid for the asset in its highest and best use from a market participant's perspective i.e. market value at the balance sheet date.

Under the Code, property held for a 'currently undetermined future use' may be classified as a surplus asset within property, plant and equipment and carried in the balance sheet at current value. Consistent with the requirements of the Code, the current value of surplus assets is determined on the basis of fair value, estimated at highest and best use from a market participant's perspective. The same basis used for the valuation of investment property.

ii Determination of Group Boundary and requirement to prepare Group Accounts

Determining the group boundary and confirming the need to prepare group accounts requires the Authority to make judgements to establish whether it has control, joint control or significant influence over entities in which it has an interest and/or investment, in accordance with the definitions and guidance set out in the Code and International Financial Reporting Standards (IFRS). This includes guidance contained in IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures. The requirement to prepare Group Accounts also requires the Authority to consider the materiality those interests, having regard to both qualitative and quantitative aspects of materiality.

(a) Consolidation of charitable organisations controlled by the Authority

IFRS 10, Consolidated Financial Statements and the Code of Practice on Local Authority Accounting, requires the Authority to consolidate in its group accounts, entities that it controls. Control exists only if an investor has (i) power over an investee (entity to be consolidated) i.e. existing rights that give it the current ability to direct (unilaterally) the relevant activities of the investee, (ii) exposure to variable returns from its involvement with an investee i.e. the returns have the potential to vary as a result of the entity's performance, and (iii) the ability to use its power to affect the level of variable returns. All three of these criteria must be met for an investor to have control over an investee. The terms 'investor' and 'investee' in the context of IFRS 10 and the Code are used to express a relationship where one entity controls another. The Authority (investor) is not required to have a financial interest in the investee for this to be the case.

The Code does not make any specific comments on the consolidation of charitable organisations in local authority financial statements. Local authorities are therefore required to follow the requirements of IFRS 10 in the Code and, where material, consolidate any charitable trust or fund where an authority meets the three criteria for control identified above.

3: NOTES TO THE FINANCIAL STATEMENTS

The Authority is the sole trustee of:

- Keswick Museum and Art Gallery, an unincorporated charitable trust established under a charity scheme dated 11 January 1995
- Helena Thompson Museum, an unincorporated charitable trust established under the will of the late Helena Agnes Mary Thompson.

Based on the relevant facts and circumstances, the Authority has concluded that, notwithstanding the restrictions imposed by the trusts' governing documents and charity law, it has control of both trusts and accordingly it should, subject to materiality considerations, include the assets, liabilities and reserves of the trusts in the Authority's Group Accounts.

In forming this judgement, the Authority has taken into consideration its:

- ability to direct unilaterally, the operating and financing activities under powers established by the trusts' governing documents and by statute
- exposure to variable returns associated with its responsibilities as trustee and ongoing commitments to provide financial support to the trusts.

(b) Application of the Code and IAS 28 to Non quantifiable ownership interests

The Code and IAS 28 – Investments in Associates and Joint ventures, defines an associate is an entity over which an investor (i.e. a reporting authority) has significant influence. Investor relationships are not defined further in the Code or in IAS 28. In applying the definition of an associate and in its use of the equity method, the Authority has, as directed by the Code, relied on guidance contained in IPSAS 36 Accounting for Investments in Associates and Joint Ventures.

Under IPSAS 36 application of the standard is restricted to investments in which the investor has significant influence over, or joint control of, an investee and which leads to the holding of a quantifiable ownership interest. Quantifiable ownership interests include ownership interests arising from investments in the formal equity structure of another entity. i.e. share capital, an equivalent unitised form of capital or other ownership interests that can be measured reliably.

The Authority is a member of two companies limited by guarantee and not having a share capital: Energy Coast West Cumbria Limited and Energy Coast West Cumbria (Workspace) Limited. As a member of these companies the Authority holds more than 20% of voting rights. It also has representation on the Board of Directors of each company. This fact pattern would usually evidence the existence of significant influence. However, neither company has a share capital or other form of unitised capital structure. The memorandum and articles of association of both companies also prohibit the distribution of profits and residual assets to members. The Authority has therefore concluded that its interest in Energy Coast West Cumbria Limited and Energy Coast West Cumbria (Workspace) Limited does not result in a quantifiable ownership interest and that accordingly the Code's Group Accounts requirements do not apply. Both companies have consequently been excluded from the group boundary and from the Authority's (Group Accounts) materiality assessment.

Following determination of the group boundary the Authority has assessed the materiality of its interests in subsidiaries, associates and/or joint ventures, individually and collectively having regard to both qualitative and quantitative aspects of materiality. This includes consideration of the extent to which the Authority depends on these entities to provide statutory services, the Authority's exposure to commercial risk, and the extent to which control of the Authority's assets is transferred. Quantitative assessment includes evaluating the impact of consolidating the Authority's interests in subsidiaries, associates and joint ventures accordance with the Code. Following this assessment the Authority has concluded that its interests in subsidiaries, associates and/or joint ventures conclusions are not material and that consequently preparation of Group accounts is not required.

3: NOTES TO THE FINANCIAL STATEMENTS

Further information relating to the Authority's interests in subsidiaries, associates and joint ventures is set out in notes 49 and 50.

iii. Accounting for Schools – Balance Sheet Recognition of Non-Current assets used by Schools

The recognition of non-current assets used by local authority-maintained schools is determined in accordance with the Code's definition of an asset and with the relevant standards adopted by Chapter 4 (Non-current Assets) of the Code as appropriate to the arrangements pertaining to the assets. These include the Code's adoption of IAS 16 Property, Plant and Equipment contained in section 4.1 and section 4.2 Leases and Lease Type Arrangements (the Code's adoption of IFRS 16 Leases).

Non-current assets (including land and buildings) used by schools (as entities) are recognised on the Authority's Balance Sheet (either directly or by consolidation of the schools' non-current assets) if the appropriate recognition criteria are met by the local authority or by a school within the Authority's area.

The Authority recognises land and buildings used by schools on its Balance Sheet where it directly owns the assets, or the school or school governing body own the assets. Land and building assets used by a school but owned by an entity other than the Authority, school or school governing body are not included on the Authority's Balance Sheet except in circumstances where the entity has transferred the rights over the property that pass control of economic benefits and service potential to the to the Authority, school or school governing body.

The table below sets out the number and type of schools within the Council' area at 31 March 2026.

Type of school	Primary No	Secondary No	Nursery No	Special No	PRU No	Total No	On Balance sheet No	Off Balance Sheet No
Community	57	4	3	1	2	67	67	0
Voluntary Controlled (VC)	25	1	0	0	0	26	0	26
Voluntary Aided (VA)	21	2	0	0	0	23	0	23
Foundation	8	0	0	0	0	8	6	2
Total Maintained	111	7	3	1	2	124	73	51
Academies	34	11	0	1	0	46	0	46
Total	145	18	3	2	2	170	73	97

In applying the recognition criteria outlined above, the economic benefits and service potential of non-current assets owned by the Authority and used by community schools, maintained nursery schools and community special schools are deemed to be within the control of the local authority or of the school that uses the assets, and are therefore recognised on the Authority's balance sheet.

Legal ownership of land and buildings used by Voluntary Controlled, Voluntary Aided and some foundation schools normally rest with trustees, often allied to a religious body (e.g. dioceses or other charitable body). These assets are typically used by schools under "mere" licences which pass no ownership interest to the school and are terminable by the trustees at any time without causal action. In most cases there is no reassignment of rights for property owned by religious bodies and occupied by voluntary aided, voluntary controlled and some foundation schools that would pass control of economic benefits and service potential to the Authority, the schools as entities or their governing bodies.

3: NOTES TO THE FINANCIAL STATEMENTS

Following a review of the ownership and terms of use for property assets occupied by the Authority's voluntary aided (VA), and voluntary controlled (VC) schools, the Authority has concluded that the relevant recognition criteria have not been met and that consequently the assets are not recognised on the Authority's balance sheet.

The balance sheet recognition of Foundation school assets is dependent on whether the school or the local authority has control over the resources inherent in the asset as a result of rights that are both enforceable and substantive. Foundation school property assets are (subject to meeting the appropriate asset recognition tests) typically included on the Authority's balance sheet where assets are owned by governing body. Where other arrangements are in place including where ownership resides with separate trustees, the assets are not included on the Authority's balance sheet unless the terms under which the property is made available to schools indicate that substantive and enforceable rights to the asset's economic and service potential has been assigned to the governing body.

Under the School Standards and Framework Act 1998 Academies fall out with the definition of maintained schools under the Council's control. The land and building assets related to academy schools are not included on the Council's Balance Sheet.

Private Finance Initiatives (PFI) and Public Private Partnership (PPP) Arrangements

The Authority is party to two service concession arrangement in relation to the Carlisle Northern Development Route (CNDR) PFI scheme, and the Waste Public-Private Partnership. The Authority has evaluated these contacts under IFRIC 12 and the Code and concluded that the Authority:

- a) controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and where
- b) controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the term of the arrangement.

The arrangements are therefore deemed to fall within the scope of section 4.3 of the Code of Practice on Local Authority Accounting with the service concession assets accounted for on balance sheet in a manner that is consistent with the Code's adaptation of IFRIC 12 *Service Concession Arrangements*.

4. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2026 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. Based on remaining asset lives, it is estimated that the annual depreciation charge for operational assets will increase by £9.549m per year, if the useful lives of individual assets were to be reduced by two years. However, statutory

3: NOTES TO THE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if actual results differ from assumptions
		accounting requirements mean that any increase in the depreciation charge would not impact on the General Fund.
Provisions	<p>The Authority's balance sheet at 31 March 2026 includes provisions totalling £10.825m (31.3.25: £13.963m). This includes:</p> <ul style="list-style-type: none"> £1.975m (31.3.25: £2.589m) in respect of the Authority's share of the liability for refunding business ratepayers who successfully appeal against the rateable value of their properties on the rating list £5.134m (31.3.25: £4.727m) in respect of uninsured liabilities, insurances excesses in respect of notified claims and estimated liabilities for incidents incurred but not yet reported to the insurer or the Authority £0.385m (31.3.25: £2.2125m) relating to disputed obligations associated with the Authority's contract for waste disposal services other provisions of £3.331m (31.3.25: £4.435m). 	The amounts recognised in the financial statements are based on the best estimate of the expenditure required to settle the obligation. Any subsequent increase or decrease in the amounts required to settle these obligations over the amounts provided for in the financial statements would lead to a corresponding decrease or increase in the General Fund balance or - for changes to the provision for business rates appeals not yet distributed in accordance with statutory provisions - the Collection Fund Adjustment Account balance.
Pensions Liability/Asset	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p>	<p>A sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date is set out in note 37. During 2025-26, the Authority's net pension asset (excluding the asset ceiling adjustment) increased by £68.301m (2024-25: £172.179m): This movement includes:</p> <ul style="list-style-type: none"> an increase of £62.023m (2024-25: £34.068m reduction) arising from re-measurement gains/losses on plan assets. an increase in scheme liabilities of £29.105m (2024-25: £192.067m reduction) as a result of experience gains/losses and re-measurements associated with changes in financial and demographic assumptions.
Fair value measurements – Investment Property	<p>The Authority uses an income approach or a market approach to measure the fair value of its investment properties. The significant unobservable inputs used in the fair value measurement of investment property using the income approach, include assumptions relating to future rental income, vacancy levels and the applicable discount rate (market yield). Where the market approach is used, properties are valued by reference to market-based evidence using observed prices for recent market transactions for comparable properties. Where appropriate, adjustments are made to market price information to reflect differences in the legal, economic or physical characteristics of</p>	Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement of investment properties.

3: NOTES TO THE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if actual results differ from assumptions
	<p>the property being valued. These include significant unobservable adjustments to reflect differences in the nature, condition and location of the property, tenure and encumbrances.</p> <p>Information about the valuation techniques and key inputs used in determining the fair value of the Authority's investment properties is disclosed in note 22 (Investment Property).</p>	
<p>Current value measurements - Operational Land and Buildings and Non-Operational Surplus assets</p>	<p>With the exception of specialised assets, the Authority uses an income approach or a market approach to measure the current value of its operational land and buildings and non-operational surplus assets. Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. The significant unobservable inputs used in the current value measurement of operational land and buildings and non-operational surplus assets using the income approach include assumptions relating to future rental income, vacancy levels and the applicable discount rate (market yield).</p> <p>Where the market approach is used, properties are valued by reference to market-based evidence using observed prices for recent market transactions for comparable properties. Where appropriate, adjustments are made to market price information to reflect differences in the legal, economic or physical characteristics of the property being valued. These include significant unobservable adjustments to reflect differences in the nature, condition and location of the property, tenure and encumbrances.</p> <p>Significant unobservable inputs used in the current value measurement of property using the cost (DRC) approach include assumptions relating to location, physical deterioration and all relevant forms of obsolescence and optimisation.</p>	<p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher current value measurement of operational land and buildings and non-operational surplus assets.</p>
<p>Fair value measurements – Financial Assets</p>	<p>Where the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), valuation techniques including use of discounted cash flow (DCF) models are used to measure fair value. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk.</p>	<p>Significant changes in assumptions and unobservable inputs used would result in a significantly lower or higher fair value measurement of financial assets/liabilities.</p>

5. Impact of New Accounting Standards not yet Adopted

5.1 Changes to the 2026-27 Code of Practice on Local Authority Accounting

The 2026-27 Code of Practice on Local Authority Accounting - applicable to financial years commencing on or after 1 April 2026 - includes the following changes to accounting standards and interpretations that have been issued but not yet adopted.

- Amendments to IFRS 9 and IFRS 7- Amendments to the Classification and Measurement of Financial Instruments
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)
- Annual Improvements to IFRS Accounting Standards - Volume 11
- Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (amendments to heritage assets).

Amendments to IFRS 9 and IFRS 7- Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the International Accounting Standards Board (IASB) issued Amendments to the Classification and Measurement of Financial Instruments, which amended IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures. The amendments, effective from accounting periods beginning on or after 1 January 2026, include:

- a clarification that a financial liability is derecognised on the 'settlement date' (i.e. date on which the liability is extinguished because the obligation specified in the contract is discharged, cancelled or expires, or the liability otherwise qualifies for derecognition) and the introduction of an accounting policy choice (if specific conditions are met) permitting a financial liability (or part of a financial liability) settled using an electronic payment system to be derecognised before the settlement date
- additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed when applying the 'solely payments of principal and interest (SPPI)' test to determine the classification of financial assets that are debt instruments
- clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- the introduction of disclosures for financial instruments with contingent features (such as features linked to ESG-targets) that do not relate directly to basic lending risks and costs, requiring disclosure of the contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in a basic lending risks and costs
- additional disclosure requirements for equity instruments designated at fair value through other comprehensive income (OCI) requiring disclosure of the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss that relates to investments derecognised in the period and the fair value gain or loss that relates to investments held at the end of the period.

The amendments are not expected to have a material impact on the Authority's single entity (Authority Only) financial statements.

Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)

In December 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity. The targeted amendments - which apply only to contracts that reference nature-dependent electricity - include:

3: NOTES TO THE FINANCIAL STATEMENTS

- clarification on the application of the 'own-use' requirements for in-scope contracts, ensuring that agreements where an entity is expected to be a net purchaser over the contract period are not accounted for as derivatives measured at fair value through profit or loss
- amendments to the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts, permitting the application of hedge accounting if these contracts are used as hedging instruments
- the addition of new disclosure requirements to enable users to understand the effect of these contracts on an entity's financial performance and cash flows in current and future periods.

The amendments, effective for annual reporting periods starting on or after 1 January 2026, are not expected to have a material impact on the Authority's single entity (Authority Only) financial statements.

Annual Improvements to IFRS Accounting Standards - Volume 11

In July 2024, the IASB issued nine narrow scope amendments as part of its periodic maintenance of IFRS accounting standards. The amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial instruments: Disclosure and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements and IAS 7 Statements of Cash Flows

These amendments, effective from accounting periods beginning on or after 1 January 2026, are not expected to have a material impact on the Authority's single entity (Authority Only) financial statements.

IFRS 1 First-time adoption of International Financial Reporting Standards

To ensure consistency with the hedge accounting requirements in IFRS 9, paragraphs B5-B6 of IFRS 1 were amended to refer to the 'qualifying criteria' for hedge accounting (instead of the 'conditions') and add cross-references to IFRS 9 to improve the understandability of IFRS 1.

IFRS 7 Financial Instruments: Disclosures-Gain or loss on derecognition

The amendments to paragraph B38 of IFRS 7 replace an obsolete cross-reference to a paragraph in IFRS 13 *Fair Value Measurement* and other minor amendments to align the wording of this paragraph with the terms used in IFRS 13.

Guidance on implementing IFRS 7 Financial Instruments: Disclosures

The amendments update the guidance:

- on disclosure of the deferred difference between fair value and transaction price (IG 14) to make the wording of that paragraph consistent with paragraph 28 of IFRS 7 and improve the internal consistency of the wording in the example in paragraph IG14
- included in the introduction (IG1) and credit risk disclosures (IG20B) by adding. A statement to IG1 to clarify that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 and amending paragraph IG20B to simplify the explanation of the aspects of the requirements that are not illustrated.

IFRS 9 Financial Instruments

The amendments to IFRS 9 replace the term 'their transaction price (as defined in IFRS 15)' in paragraph 5.1.3 with 'the amount determined by applying IFRS 15' to address inconsistency between this paragraph and the requirements of IFRS 15 which may require a receivable to be measured at an amount that differs from the amount of the transaction price recognised as revenue.

The reference to 'transaction price' (as defined in IFRS 15) is also deleted from Appendix A of IFRS 9.

3: NOTES TO THE FINANCIAL STATEMENTS

The amendments also add a cross-reference to clarify that, when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and therefore recognise any resulting gain or loss in the Comprehensive Income and Expenditure Statement

IFRS 10 Consolidated Financial Statements - Determination of a ‘de facto agent’

To resolve an inconsistency between the requirements of paragraphs B73 and B74 in relation to “de facto agents and make it clearer that determination of whether other parties are acting as de facto agents requires judgement, the amendments to IFRS 10 update paragraph B74 to:

- use less conclusive language and
- clarify that the relationship described in paragraph B74 is just one example of a circumstance in which judgement is required to determine whether a party is acting as a de facto agent.

IAS 7 Statement of Cash Flows - Cost method

The amendment replaces the term ‘cost method’ with ‘at cost’ in paragraph 37 in line with the removal of the definition of ‘cost method’ from the IFRS Accounting Standards in May 2008, when it issued Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.

Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (amendments to heritage assets)

In March 2024, the Financial Reporting Council (FRC) published amendments to FRS 102. This included further guidance on how to determine whether an asset meets the definition of a heritage asset and the requirements for leases of heritage assets. The amendments to FRS 102 have resulted in a minor update to the Code to introduce the disclosure requirement for any depreciation or amortisation recognised in the period the amendments.

The amendments to FRS102, effective for annual reporting periods starting on or after 1 January 2026, are not expected to have a material impact on the Authority’s single entity (Authority Only) financial statements.

6. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Authority for the year (i.e. government grants, rents, council tax and business rates) has been used in providing services in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Authority’s Directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

3: NOTES TO THE FINANCIAL STATEMENTS

Directorate	2025/26			2024/25		
	Net Expenditure chargeable to General Fund (GF) Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in Comprehensive Income & Expenditure Statement	Net Expenditure chargeable to General Fund (GF) Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in Comprehensive Income & Expenditure Statement
	(statutory basis) £'000	Note 6.1a £'000	(accounting basis) £'000	(statutory basis) £'000	Note 6.1a £'000	(accounting basis) £'000
Chief Executive	215	27	242	213	32	245
Assistant Chief Executive	1,168	(51)	1,117	924	(7)	917
Corporate & Transformation	50,528	(14,476)	36,052	47,370	(7,308)	40,062
Innovation & Commercial	17,220	12,708	29,928	13,921	9,760	23,681
Place and Economy	61,595	34,487	96,082	67,021	22,732	89,753
Public Health, Customer & Community Wellbeing	17,577	(940)	16,637	16,579	(21)	16,558
Adult Social Care & Housing	93,501	(24,383)	69,118	84,371	(18,558)	65,813
Children & Family Wellbeing	95,164	(11,120)	84,044	88,896	(4,735)	84,161
Exceptional Financial Support ¹	0	0	0	(10,000)	10,000	0
Net Cost of Services	336,968	(3,748)	333,220	309,295	(11,895)	321,190
Other Operating Expenditure	6,020	3,566	9,586	5,736	485	6,221
Financing & Investment Income & Expenditure	0	17,109	17,109	0	12,853	12,853
Capital expenditure financed from General Fund.	0	0	0	304	(304)	0
Taxation & non-ringfenced grants	(341,150)	(112,598)	(453,748)	(320,870)	(117,596)	(438,466)
Other Income and Expenditure	(335,130)	(91,923)	(427,053)	(314,830)	(104,562)	(419,392)
(Surplus) or Deficit on the General Fund	1,838	(95,671)	(98,833)	(5,535)	(92,667)	(98,202)
Opening General Fund Balance	(113,148)			(107,613)		
Impact of adopting new accounting standards	0			0		
(Surplus) or Deficit on General Fund in Year	1,838			(5,535)		
Closing General Fund Balance at 31 March	111,310			(113,148)		

¹ Amounts not directly attributable to specific items of service expenditure

3: NOTES TO THE FINANCIAL STATEMENTS

6.1 Expenditure and Funding Analysis

Decisions about resource allocation are taken by the Authority's Executive on the basis of budget reports that analyse income and expenditure across eight Directorates.

These reports are prepared on a statutory basis (also referred to as the funding basis), reflecting amounts chargeable to the general fund under statutory provisions. This differs from the accounting policies (accounting basis) used in preparing the financial statements in accordance with the Code of Practice on Local Authority Accounting. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisation are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on employer's pension contributions payable and direct payments made to pensioners rather than current service cost of benefits accrued in the year.

(a) Adjustments between the Funding and Accounting Basis

A summary of adjustments to Net Expenditure Chargeable to the General Fund (GF) to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts is shown in the following table:

2025/26	Statutory Accounting Adjustments				Total £'000
	Reallocation of Other Income & Expenditure (Note 6.1b) £'000	Adjustments for Capital Purposes (Note 6.1c) £'000	Net change for Pensions Adjustments (Note 6.1d) £'000	Other Differences (Note 6.1e) £'000	
Chief Executive	0	39	(13)	1	27
Assistant Chief Executive	0	45	(63)	(33)	(51)
Corporate & Transformation	(8,645)	(3,370)	(2,651)	190	(14,476)
Innovation & Commercial	5,155	8,406	(734)	(119)	12,708
Place & Economy	(918)	36,865	(1,927)	467	34,487
Public Health, Customer & Community Wellbeing	0	26	(1,268)	302	(940)
Adult Social Care & Housing	(24,165)	2,325	(2,497)	(46)	(24,383)
Children & Family Wellbeing	(13,728)	2,969	(4,828)	4,467	(11,120)
Exceptional Financial Support	0	0	0	0	0
Net Cost of Services	(42,301)	47,305	(13,981)	5,229	(3,748)
Other Operating Expenditure	495	3,071	0	0	3,566
Financing and Investment Income and Expenditure	16,330	836	(34)	(23)	17,109
Surplus or deficit on discontinued operations	0	0	0	0	0
Capital expenditure charged to General Fund Balances	0	0	0	0	0
Taxation & non-ringfenced grants	25,476	(137,793)	0	(281)	(112,598)
Other income and expenditure from Expenditure and Funding Analysis	42,301	(133,886)	(34)	(304)	(91,923)
Difference between GF surplus or deficit and CIES Surplus or Deficit on the Provision of Services	0	(86,581)	(14,015)	4,925	(95,671)

3: NOTES TO THE FINANCIAL STATEMENTS

2024/25	Reallocation of Other Income & Expenditure (Note 6.1b) £'000	Statutory Accounting Adjustments			Total £'000
		Adjustments for Capital Purposes (Note 6.1c) £'000	Net change for Pensions Adjustments (Note 6.1d) £'000	Other Differences (Note 6.1e) £'000	
Chief Executive	0	37	(4)	(1)	32
Assistant Chief Executive	0	58	(68)	3	(7)
Corporate & Transformation	(5,086)	(1,802)	(379)	(41)	(7,308)
Innovation & Commercial	4,238	6,480	(970)	12	9,760
Place & Economy	(12,592)	36,600	(875)	(401)	22,732
Public Health, Customer & Community Wellbeing	40	70	(128)	(3)	(21)
Adult Social Care & Housing	(18,771)	1,370	(1,176)	19	(18,558)
Children & Family Wellbeing	(13,944)	4,428	(539)	5,320	(4,735)
Exceptional Financial Support	0	10,000	0	0	10,000
Net Cost of Services	(46,115)	57,241	(4,139)	4,908	11,985
Other Operating Expenditure	514	(29)	0	0	485
Financing and Investment Income and Expenditure	13,519	735	192	(123)	12,853
Surplus or deficit on discontinued operations	0	0	0	0	0
Capital expenditure charged to General Fund Balances	0	(304)	0	0	(304)
Taxation & non-ringfenced grants	32,082	(147,604)	0	(2,074)	(117,596)
Other income and expenditure from Expenditure and Funding Analysis	46,115	(148,672)	192	(2,197)	(104,562)
Difference between GF surplus or deficit and CIES Surplus or Deficit on the Provision of Services	0	(91,431)	(3,947)	2,711	(92,667)

(b) Reallocation of Other Income & Expenditure

Reallocations comprise amounts included in the directorate service analysis used for decision making purposes but reported below the Net Cost of Services (NCS) line in the Comprehensive Income & Expenditure Statement.

	2025/26 £'000	2024/25 £'000
Interest payable & similar charges	(25,001)	(23,680)
Interest & investment income	4,220	5,707
Income & expenditure relating to investment properties	5,397	4,641
Impairment of financial assets	(1,476)	(716)
Amortisation of deferred gain (PFI refinancing gain)	529	529
Reallocation from net cost of services to financing & investment income & expenditure	(16,331)	(13,519)
Deminimis receipts from disposal of non-current assets	73	23
Levies and Precepts	(568)	(537)
Reallocation from net cost of services to other operating expend.	(495)	(514)
Reallocation from Taxation & non-ringfenced grants to NCS	(25,476)	(32,082)
Capital expenditure charged to General Fund	0	0
	(42,302)	(14,033)

3: NOTES TO THE FINANCIAL STATEMENTS

(c) Adjustments for Capital Purposes

Adjustments for capital purposes comprise for:

- (i) Net Cost of Services: the recognition of capital grants & contributions and revenue expenditure funded from capital under statute. They also include the addition of depreciation, impairments and revaluation losses on non-current assets (PPE).
- (ii) Other Income and Expenditure totals:
 - removal, from the amounts reported for decision making purposes, of items relating to the use of general fund balances (including the use of earmarked general fund balances) to finance capital expenditure and the statutory provision for the financing of capital expenditure (Minimum Revenue Provision), neither of which are chargeable under generally accepted accounting practices
 - recognition within the Other Operating Expenditure line item of the gains and losses arising on derecognition of non-current assets (PPE)
 - the inclusion of changes in the fair values of investment properties and gains or losses on disposal of investment properties within the Financing and investment income and expenditure line item, and
 - the recognition of non-ringfenced capital grants, contributions and donations within the Taxation and non-specific grant income and expenditure line item.

	2025/26 £000	2024/25 £'000
Depreciation, amortisation, impairment and revaluation	54,883	49,208
Revenue expenditure funded from capital under statute	27,477	41,487
Capital grants & contributions credited to cost of services	(13,563)	(17,793)
Capital receipts arising on repayment of grants	(25)	(512)
Statutory provision for the financing of capital investment (MRP)	(20,757)	(15,149)
(Gains)/losses on sale of non-current assets (PPE)	3,067	(29)
Changes in the fair values of investment properties	1,517	(735)
(Gains) or losses on disposal of investment properties	(682)	0
Non-ringfenced capital grants, contributions and donations	(137,793)	(147,604)
Use of General Fund & Earmarked balances to finance capital expenditure	(709)	(304)
Payment to Housing capital receipt pooled met from capital receipts	4	
Movement in fair value of investments (capital debtor)	0	0
	(86,581)	(91,431)

(d) Net Change for the Pensions Adjustments

The net change for the Pensions Adjustments comprises, the removal of pension contributions and direct payments to pensioners and the addition of employee benefits pension related expenditure and income in accordance with the Code and IAS 19 Employee Benefits.

For the net cost of services, the adjustments comprise the removal of the employer pension contributions and direct payments to pensioners made in accordance with statutory provisions and the inclusion of current service costs, past service costs/(gains) and (gains)/losses from curtailments.

3: NOTES TO THE FINANCIAL STATEMENTS

For financing and investment income and expenditure, the adjustment comprises the recognition of the net interest on the defined benefit liability chargeable to the Comprehensive Income and Expenditure Statement.

	2025/26 £'000	2024/25 £'000
IAS 19 pension costs included in net cost of services	22,826	29,650
Employers pension contributions and direct payments to pensioners	(36,807)	(33,789)
Net interest on net defined benefit liability	(34)	192
	(14,015)	(3,947)

(e) Other Differences

Other differences between amounts charged or credited to the Comprehensive Income and Expenditure Statement and amounts recognised under statute comprise, for:

- (i). Net Cost of Services: adjustments to expenditure to reflect timing differences associated with recognition of the costs of short-term paid absences (holiday pay)
- (ii). Financing and Investment Income and Expenditure: adjustments to the General Fund for the timing differences associated with the recognition of premiums and discounts arising from the premature repayment of debt, interest on stepped interest (LOBO) loans and fair value gains and losses of defined pooled investment funds
- (iii). Taxation and Non-Specific Grant Income and Expenditure: timing differences related to differences between the amount of council tax and non-domestic rates income credited to the Authority's General Fund in accordance with statutory requirements and the amount of council tax and non-domestic rates income credited to the Comprehensive Income & Expenditure Statement under generally accepted accounting practices included in the Code.

	2025/26 £'000	2024/25 £'000
Movement on accrual for Employee Short-term Paid Absences	(52)	(662)
Adjustments involving the Financial Instrument Adjustment Account	(23)	(23)
Adjustments involving the Pooled Investment Funds Adjustment Account	0	(100)
Income from Council Tax - transfer to the Collection Fund Adjustment Account	3,422	(950)
Income from Business Rates - transfer to the Collection Fund Adjustment Account	(3,703)	(1,124)
Adjustment involving the Dedicated Schools Grant Adjustment Account	5,281	5,570
	4,925	2,711

3: NOTES TO THE FINANCIAL STATEMENTS

6.2 Expenditure and Income Analysed by Nature

	2025/26 £'000	2024/25 £'000
Fees, charges & other service income	(175,231)	(167,879)
Interest & investment income (interest receivable)	(4,220)	(5,807)
Amortisation of PFI refinancing gain	(529)	(529)
Income and expenditure relating to investment properties	(5,397)	(4,641)
Income from council tax & business rates	(253,184)	(236,367)
Grants & contributions - Revenue	(429,647)	(416,885)
Grants & contributions - Capital	(151,356)	(165,398)
Repayment of capital grants	(25)	(512)
Change in fair value of investment properties	-	(735)
Total Income	(1,019,589)	(998,753)
Employee benefits expenses	334,744	319,258
Other service expenses	499,292	501,300
Depreciation, amortisation, impairment and revaluation	54,883	49,207
Interest payments and similar charges	24,978	23,657
Net interest on defined benefit pension liability	(34)	192
Precepts & levies	6,588	6,273
Impairment of financial assets (credit losses)	1,476	716
Net (gain) or loss on disposal of non-current assets	2,312	(52)
Change in fair value of investment properties	1,517	0
Total operating expenses	925,756	900,551
(Surplus) or deficit on the provision of services	(93,833)	(98,202)

6.3 Revenue from Contracts with Service Recipients

Income from fees, charges & other service income, including revenue generated from contracts with service recipients, disaggregated by service activity is as follows:

	2025/26 £'000	2024/25 £'000
Parking Income	(6,302)	(5,803)
Street Works and Road Closures	(3,281)	(3,127)
Commercial Waste Collection	(2,497)	(1,601)
Development Management inc. Planning & Building Control	(3,068)	(2,353)
Registration and Ceremony	(990)	(885)
Adult Social Care Fees	(32,551)	(30,387)
NHS contributions (Adults and Children's)	(40,135)	(37,712)
Bereavement Services	(3,586)	(3,103)
Income from Property (exc. Investment Property)	(4,554)	(5,210)
Shared and Hosted Services Income (W&F; Fire)	(36,129)	(36,992)
Fleet Services	(496)	(1,061)
LGR Reserve – share of unutilised balance	(1,390)	0
Enterprise Cumbria	0	(1,021)
Schools Income	(12,159)	(11,791)
Port of Workington	(2,301)	(2,162)
Other income	(25,792)	(24,671)
	(175,231)	(167,879)

3: NOTES TO THE FINANCIAL STATEMENTS

7. Grant income recognised in the net cost of services

The Authority credited the following grants, contributions and donations to net cost of services in the Comprehensive Income and Expenditure Statement.

7.1 Revenue Grants credited to Services in Comprehensive Income & Expenditure Statement

	2025/26 £'000	2024/25 £'000
Dedicated Schools Grant	(204,871)	(183,643)
Social Care Support Grant	(37,358)	(32,082)
Pupil Premium Grant	(7,982)	(7,810)
Mainstream Schools Additional Grant	(2,217)	(2,324)
Post 16 Core and High Needs Funding (16- to 19-year-olds)	(2,573)	(2,869)
Universal Infant Free School Meals Grant	(2,374)	(2,320)
Primary PE & Sports Premium Grant	(1,825)	(1,951)
Teachers Additional Pay Grant	0	(2,172)
National Insurance Contribution Grant (Teachers)	(2,398)	0
Recovery Premium Grant	0	(300)
School Budget Support Grant	(1,145)	0
Public Health Grant	(13,403)	(12,645)
DWP - Housing Benefit Subsidy Grant (inc. Administration Subsidy)	(35,643)	(44,358)
Improved Better Care Fund	(18,032)	(14,616)
Household Support Fund	(3,820)	(4,335)
Market Sustainability & Improvement Fund	(6,078)	(6,078)
Adult Social Care - Discharge Fund	0	(3,415)
Other Housing and Resettlement Schemes (including Homes for Ukraine)	(1,419)	(1,945)
Supporting Families	(1,725)	(1,005)
Domestic Abuse Duty	0	(717)
UK Shared Prosperity Fund	(2,808)	(5,172)
Bus Service Improvement Plans	(1,741)	(2,019)
Connecting Cumbria	(2,560)	(9,087)
Skills Bootcamp	(1,822)	(948)
HDRC Research	(970)	(438)
Well Project	(1380)	(1,324)
Childrens Social Care	(743)	0
Homelessness and Rough Sleepers	(2,009)	1,503
Other Grants and Contributions*	(9,976)	(17,314)
	(366,872)	(330,308)

* Other Government Grants consist of numerous smaller grants, none of which individually are over £1m.

3: NOTES TO THE FINANCIAL STATEMENTS

7.2 Capital Grants credited to Services in Comprehensive Income and Expenditure Statement

	2025/26 £'000	2024/25 £'000
Capital Grants received and applied in the current year		
Better Care Funding (DFG)	(3,531)	(2,833)
Future High Streets	(461)	(1,382)
Towns Deal	(690)	(629)
Levelling Up	(1,604)	(2,880)
UKSPF & UKREPF	(1,121)	(3,791)
Schools Condition Allocation	(464)	(722)
High Needs	(432)	(664)
5G Innovation	(2,110)	(1,616)
Formula Capital and schools' contributions	(313)	(511)
Other Grants and contributions	(548)	(201)
	(11,274)	(15,229)
Capital Grants received in current year but not applied		
Better Care Funding (DFG)	(2,239)	(2,558)
Other Grants and contributions	(50)	(6)
	(2,289)	(2,564)
	(13,563)	(17,793)

3: NOTES TO THE FINANCIAL STATEMENTS

8. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the The School and Early Years Finance and Childcare (Provision of Information about Young Children) (Amendment) (England) Regulations 2024. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Education authorities in England are required by the Accounts and Audit Regulations 2015 and the Code to include a note demonstrating whether the Dedicated Schools Grant has been deployed in accordance with statutory provisions. Details of the deployment of DSG receivable for 2025-26 are as follows:

2025-26	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2025-26 before academy and high needs recouplement	-	-	310,702
Academy and High Needs figure recouped for 2025-26	-	-	(105,658)
Total DSG after academy recouplement for 2025-26	-	-	205,044
Plus Brought forward from 2024-25	-	-	0
Less: Carry forward to 2026-27 (agreed in advance)	-	-	0
Agreed initial budgeted distribution in 2025-26	36,191	168,853	205,044
In year adjustments		(173)	(173)
Final budget distribution for 2025-26	36,191	168,680	204,871
Less: Actual central expenditure	42,594	-	42,594
Less: Actual ISB deployed to schools	-	167,558	167,558
Plus: Local Authority contribution for 2025-26			
In Year Carry forward to 2026-27	(6,403)	1,122	(5,281)
Plus: Carry-forward to 2026-27 agreed in advance	-	-	
Carry-forward to 2026-27	-	-	
DSG unusable reserve at the end of 2024-25	-	-	19,693
Addition to DSG Unusable Reserve at the end of 2025-26	-	-	5,281
Total DSG Unusable Reserve at the end of 2025-26	-	-	24,974
Net DSG position at end of 2025-26	-	-	24,974

3: NOTES TO THE FINANCIAL STATEMENTS

2024-25	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2024-25 before academy and high needs recoupment	-	-	282,340
Academy and High Needs figure recouped for 2024-25	-	-	(98,518)
Total DSG after academy recoupment for 2024-25	-	-	183,822
Plus Brought forward from 2023-24	-	-	0
Less: Carry forward to 2022-26 (agreed in advance)	-	-	0
Agreed initial budgeted distribution in 2024-25	35,862	147,960	183,822
In year adjustments	0	(179)	(179)
Final budget distribution for 2024-25	35,862	147,781	183,643
Less: Actual central expenditure	41,432	-	41,432
Less: Actual ISB deployed to schools	-	147,781	147,781
Plus: Local Authority contribution for 2024-25	0	0	0
In Year Carry forward to 2025-26	(5,570)	0	(5,570)
Plus: Carry-forward to 2025-26 agreed in advance	-	-	0
Carry-forward to 2025-26	-	-	0
DSG unusable reserve at 1 April 2024	-	-	14,123
Addition to DSG Unusable Reserve at the end of 2024-25	-	-	5,570
Total DSG Unusable Reserve at the end of 2024-25	-	-	19,693
Net DSG position at end of 2024-25	-	-	19,693

9. Other Operating income and expenditure

	2025/26 £'000	2024/25 £'000
Parish Council Precepts	6,020	5,735
Levies	568	538
	6,588	6,273
Net (Gains)/losses on the disposal of Non-Current Assets	2,994	(52)
Payments to the government housing capital receipts pool	4	0
	9,586	6,221

3: NOTES TO THE FINANCIAL STATEMENTS

10. Financing and investment income and expenditure

	2025/26 £'000	2024/25 £'000
Interest payable and similar charges	24,978	23,657
Interest receivable and similar income	(4,220)	(5,807)
Amortisation of PFI refinancing gain	(529)	(529)
Income & expenditure relating to investment properties	(5,397)	(4,641)
Changes in fair values of investment properties	1,517	(735)
(Gains)/losses on disposal of investment properties	(682)	0
Net interest on the net defined benefit liability	(34)	192
Impairment (credit) losses (including reversals of impairment losses or impairment gains) on trade and other receivables	1,476	716
Unwinding of discount on provisions	0	0
	17,109	12,853

Interest payable and similar charges comprises:

	2025/26 £'000	2024/25 £'000
Interest expense on financial liabilities (not measured at FVTPL)		
- Interest on PWLB Borrowing	10,017	8,290
- Interest on Lender Option Borrower Option loans	856	856
- Other interest	534	478
- Service concessions – interest (& contingent rentals 2023/24 only)	13,010	13,613
- Lease interest	561	420
	24,978	23,657

Interest receivable and similar income comprises:

	2025/26 £'000	2024/25 £'000
Net (gains)/losses on:		
- financial assets measured at fair value through profit or loss	(2,689)	(2,714)
- financial assets measured at amortised cost		
Interest revenue on financial assets measured at amortised cost	(1,531)	(3,058)
Dividends from Group Entities	0	(35)
Interest revenue on financial assets measured at fair value through Other comprehensive income and expenditure	0	0
	(4,220)	(5,807)

11. Taxation and Non-Specific Grant Income and Expenditure

	2025/26 £000	2024/25 £'000
Council tax income	(182,090)	(169,846)
Non-domestic rates income and expenditure	(71,094)	(66,521)
Non-ringfenced government grants (Revenue)	(62,775)	(54,495)
Capital grants and contributions	(137,793)	(147,604)
	(453,748)	(438,466)

11.1 Council tax income

	2025/26 £'000	2024/25 £'000
Precept	(184,745)	(169,186)
Distribution of estimated prior year (surplus)/deficit	(767)	290
Demand on Collection Fund	(185,512)	(168,896)
Share of actual (surplus)/deficit at 31 March	3,224	(198)
Share of actual surplus/(deficit) at 1 April	198	(752)
Net transfer to/(from) Collection Fund Adjustment Account	3,422	(950)
Council tax income	(182,090)	(169,846)

11.2 Non-domestic rates income and expenditure

	2025/26 £000	2024/25 £'000
Share of Non-Domestic Rates Income from rates retention scheme	(55,490)	(53,960)
Other NNDR income retained by the Authority	(2,265)	(2,075)
Share of estimated (surplus)/deficit	2,524	2,656
Reconciliation adjustment - prior year disregarded income	(63)	(51)
Top-up/Tariff	(12,097)	(11,967)
	(67,391)	(65,397)
Share of (surplus)/deficit at 31 March	(604)	2,613
Share of surplus/(deficit) at 1 April	(2,613)	(3,725)
Disregarded income accrual at 31 March	(549)	(63)
Disregarded income accrual at 1 April	63	51
Net transfer to/(from) Collection Fund Adjustment Account	(3,703)	(1,124)
NNDR income and expenditure	(71,094)	(66,521)

3: NOTES TO THE FINANCIAL STATEMENTS

11.3 Non-ringfenced revenue grants

	2025/26 £'000	2024/25 £'000
Revenue Support Grant	(12,993)	(12,134)
New Homes Bonus Scheme Grant	(1,317)	(766)
Rural Services Delivery Grant	0	(3,234)
Section 31 Grant - Business Rates	(24,437)	(24,790)
Services Grant	0	(418)
Levy Account Surplus	0	(502)
PFI Grant	(11,882)	(11,882)
Employers National Insurance Contribution	(2,220)	0
Extended Producer Responsibility Payment	(7,129)	0
Recovery Grant	(1,476)	0
Other non-ringfenced grants	(1,321)	(769)
	(62,775)	(54,495)

11.4 Capital Grants & contributions credited to Taxation and Non-Specific Grant Income

	2025/26 £'000	2024/25 £'000
Capital Grants received and applied in the current year:		
Environment Agency Flood contributions	(302)	(336)
Future High Streets	(1,193)	(10,607)
Towns Deal	(25,606)	(9,710)
Active Travel	(868)	(663)
Schools Condition Allocation	(3,579)	(2,370)
Formula Capital Grant	(867)	(724)
Highways Capital Grants	(27,044)	(19,860)
Levelling Up	(4,354)	(12,512)
Getting Building Fund		(52)
Carlisle Southern Link Road	(65,520)	(86,843)
High Needs	(320)	(242)
Brownfield Land Grant	(1,173)	0
Network Rail	(2,300)	0
Nuclear Decommissioning Authority	(1,494)	(1,839)
	(2,590)	(1,785)
	(137,210)	(147,543)
Capital Grants received in current year but not applied		
Other capital grants & contributions	(583)	(61)
	(137,793)	(147,604)

3: NOTES TO THE FINANCIAL STATEMENTS

12. External Audit Costs

The Authority incurred the following costs in relation to the audit of the Statement of Accounts, and non-audit services provided by the Authority's external auditors:

	2025/26 £'000	2024/25 £'000
Fees payable with regard to external audit services carried out by the appointed auditor under the Code of Audit Practice ¹		
Audit of Accounts - current year	727	707
Adjustment to fee in respect of prior years	(1,127)	31
Fees payable for the certification of grant claims and returns ²	77	105
Fees payable in respect of other services provided by the appointed auditor	1	1
	(323)	844

13. Members' Allowances

The Authority paid the following amounts to members of the Council during the year:

	2025/26 £	2024/25 £
Basic Allowances	702,825	658,981
Special Responsibility Allowances	251,046	231,027
Dependant Carer's Allowance	0	5,353
Expenses	23,774	20,599
Total	977,645	915,960

14. Officers' Remuneration

14.1 Employee remuneration (excluding senior employees)

The number of employees, excluding senior employees included in note 14.2, whose remuneration, excluding pension contributions, was £50,000 or more, was as follows:

Remuneration Band	Number of Employees			Number of Employees		
	Schools 2025/26	Other 2025/26	Total 2025/26	Schools 2024/25	Other 2024/25	Total 2024/25
£50,000 to £55,000	79	139	218	70	119	189
£55,001 to £60,000	48	124	172	42	91	133
£60,001 to £65,000	30	21	51	30	46	76
£65,001 to £70,000	27	75	102	26	53	79
£70,001 to £75,000	12	23	35	13	10	23
£75,001 to £80,000	14	5	19	5	6	11
£80,001 to £85,000	6	18	24	6	18	24
£85,001 to £90,000	4	5	9	4	4	8
£90,001 to £95,000	1	1	2	1	4	5
£95,001 to £100,000	1	4	5	0	5	5
£100,001 to £105,000	0	3	3	1	6	7
£105,001 to £110,000	1	11	12	1	2	3
£110,001 to £115,000	2	0	2	0	2	2
£115,001 to £120,000	0	0	0	1	0	1
£120,001 to £125,000	0	0	0	0	0	0
£125,001 to £130,000	0	0	0	0	0	0
£130,001 to £135,000	0	0	0	0	1	1
£135,001 to £140,000	0	0	0	0	0	0
£140,001 to £145,000	0	0	0	0	0	0
£145,001 to £150,000	0	0	0	0	0	0
£150,001 to £155,000	0	1	1	0	0	0
£155,001 to £160,000	0	0	0	0	0	0
£160,001 to £165,000	0	1	1	0	0	0
Total	225	431	656	200	367	567

3: NOTES TO THE FINANCIAL STATEMENTS

14.2 Senior Officers' Remuneration

Remuneration paid to the Authority's Senior Employees is as follows:

Remuneration for Senior Employees 2025/56						
Post Title	Salary fees & allowances £	Expense allowances £	Taxable benefits ¹ £	Compensation for loss of office £	Pension contribution £	Total £
Andrew Seekings, Chief Executive Officer ¹	177,827	0	9,104	0	34,446	221,377
Assistant Chief Executive	131,297	0	0	0	24,027	155,324
Jo Atkinson, Director of Corporate & Transformation Services	155,383	0	0	0	28,435	183,818
Director of Resources ¹	11,503	0	777	69,141	539,702	621,123
Colin Cox, Director of Public Health, Customer & Community Wellbeing	155,383	0	0	0	27,333	182,716
Director of Place & Economy ¹	145,128	0	1,926	0	28,435	175,489
Chris Jones-King, Director of Adult Social Care & Housing	154,544	0	0	0	28,282	182,826
Director of Children & Family Wellbeing ¹	142,252	0	1,917	0	28,435	172,604
Chief Finance Officer (s151 Officer)	133,216	0	0	0	24,379	157,595
Chief Legal & Monitoring Officer	110,741	0	0	0	20,266	131,007
	1,317,274	0	13,724	69,141	783,740	2,183,879

¹ Taxable benefits comprise cars made available under the Authority's salary sacrifice scheme. The value of 'Salary, fees and allowances', is reported net of salary given up in exchange for these non-cash benefits.

² The Director of Resources was made redundant in April 2025. Pension contributions reported above include amounts payable to the LGPS under the Local Government Pension Scheme Regulations 2013 to cover pension strain costs related to the redundancy.

Remuneration for Senior Employees 2024/25						
Post Title	Salary fees & allowances £	Expense allowances £	Taxable benefits ¹ £	Compensation for loss of office £	Pension contribution £	Total £
Andrew Seekings, Chief Executive Officer ¹	172,858	0	8,124	0	33,378	214,360
Assistant Chief Executive - Strategy, Policy & Performance	120,330	0	0	0	22,020	142,350
Director of Business Transformation & Change	142,608	0	0	0	26,097	168,705
Director of Resources ¹	130,085	0	8,721	0	26,097	164,903
Director of Public Health & Communities	142,608	0	0	0	23,836	166,444
Director of Place, Sustainable Growth & Transport ¹	139,349	0	231	0	26,097	165,677
Director of Adult Social Care & Housing	141,795	0	0	0	25,949	167,744
Director of Children & Family Wellbeing ¹	137,434	0	1,277	0	27,553	166,264
Chief Finance Officer (s151 Officer)	121,902	0	0	0	22,308	144,210
Chief Legal & Monitoring Officer	102,011	0	0	0	18,668	120,679
	1,350,980	0	18,353	0	252,004	1,621,337

3: NOTES TO THE FINANCIAL STATEMENTS

15. Exit Packages

The number of exit packages with total cost per band and the total cost of compulsory and other departures is set out in the following table:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2025/26	2024/25*	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25
£0 - £20,000	5	4	26	22	31	26	£196,788	£212,962
£20,001 - £40,000	0	3*	2	6	2	8	£44,775	£267,231*
£40,001 - £60,000	1	1*	0	2	1	4	£50,852	£149,378*
£60,001 - £80,000	0	0	0	2	0	2	£0	£144,180
£80,001 - £100,000	0	0	0	0	0	0	£0	£0
£100,001 - £150,000	0	0	1	3	1	3	£144,170	£327,766
£150,001 - £200,000	0	0	0	1	0	1	£0	£182,349
£200,001 - £250,000	0	0	0	0	0	0	£0	£0
£250,001 - £300,000	0	0	0	1	0	1	£0	£282,484
£400,001 - £450,000	0	0	0	0	0	0	£0	£0
£550,001 - £600,000	0	0	0	1	0	1	£0	£596,328
	6	8	29	38	35	46	£436,585	£2,162,678

* As amended

16. Pooled Budgets

Cumberland Council hosts The Better Care Fund in partnership with North East and North Cumbria Integrated Care Board (ICB) and Lancashire and South Cumbria ICB under section 75 of the Health Act 2006.

The pooled fund combines funding through the Better Care Fund, the Improved Better Care Fund and Hospital Discharge Grant. It creates a local single budget to incentivise the NHS and local government to work more closely together around people, placing their well-being as the focus of health and care services. Locally, the primary aims of the fund are:

- Supporting independence in the community by placed-based activity
- Reducing non-elective admissions and reducing residential admissions by providing the right care and support within the community
- Facilitating earlier hospital discharge.

3: NOTES TO THE FINANCIAL STATEMENTS

Financial performance in the year to 31 March 2026 was as follows:

2025/26	Cumberland Council £000	North East & North Cumbria ICB £000	Lancashire & South Cumbria ICB £000	Total £000
Contributions				
Better Care Fund Capital	5,391	0	0	5,391
Minimum NHS Contribution	0	31,037	1,013	32,050
Local Authority Better Care Grant	18,032	0	0	18,032
Additional Local Authority Contribution	652	0	0	652
	24,074	31,037	1,013	56,124
Expenditure				
<u>Better Care Fund – capital & Additional LA contribution</u>				
Home adaptations and technology	6,043	0	0	6,043
	6,043	0	0	6,043
<u>Minimum NHS Contribution</u>				
Proactive care to those with complex needs	533	894	29	1,455
Home adaptations and technology	2,971	0	0	2,971
Supporting unpaid carers	1,393	0	0	1,393
Preventing unnecessary hospital admissions	9,012	8,774	280	18,065
Timely discharge from hospital	1,594	1,459	47	3,100
Reducing long term residential care need	5,066	0	0	5,066
	20,568	11,127	355	32,050
<u>Local Authority Better Care Grant</u>				
Proactive care to those with complex needs	50	0	0	50
Home adaptations and technology	163	0	0	163
Supporting unpaid carers	5,255	0	0	5,255
Preventing unnecessary hospital admissions	174	0	0	174
Timely discharge from hospital	6,646	1,515	0	8,161
Reducing long term residential care need	4,228	0	0	4,228
	16,517	1,515	0	18,032
Total Pooled Fund expenditure	43,128	12,642	355	56,124

3: NOTES TO THE FINANCIAL STATEMENTS

2024/25	Cumberland Council £000	North East & North Cumbria ICB £000	Lancashire & South Cumbria ICB £000	Total £000
Contributions				
Better Care Fund Capital	4,739	0	0	4,739
Better care Fund Revenue	0	28,018	894	28,911
Improved Better Care Fund	14,616	0	0	14,616
Hospital Discharge Grant	3,415	2,284	73	5,772
	22,770	30,302	966	54,039
Expenditure				
<u>Better Care Fund</u>				
- Prevention	9,455	3,361	107	12,923
- Integrated Care Communities	14,802	4,625	148	19,574
- Common Platform	0	348	11	359
- Mental Health	0	769	25	794
Total Better Care Fund	24,257	9,103	290	33,650
<u>Improved Better Care Fund</u>				
- Improving System Flow	3,079	1,515	0	4,594
- Market Stabilisation	8,484	0	0	8,484
- Programme Management	110	0	0	110
- Winter Pressures	1,429	0	0	1,429
Total Improved Better Care Fund	13,102	1,515	0	14,616
<u>Hospital Discharge Grant</u>				
- Hospital Discharge	3,415	2,284	73	5,772
Total Pooled Fund expenditure	40,774	12,902	363	54,039

3: NOTES TO THE FINANCIAL STATEMENTS

17. Adjustment between Accounting Basis & Funding Basis under Regulations

This note details the adjustments made to the total Comprehensive Income and Expenditure recognised by the Authority in the year in accordance with proper accounting practice, to arrive at the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. A description of the reserves that the adjustments are made against is set out in notes 18 and 19.

2025/26	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving Capital Adjustment Account				
Reversal of items debited/credited to the Comprehensive Income & Expenditure Statement				
Depreciation and impairment of non-current assets	(53,162)	-	-	53,162
Revaluation losses /(gains)	(1,564)	-	-	1,564
Movement in the fair value of investment properties	(1,517)	-	-	1,517
Amortisation of intangible assets	(157)	-	-	157
Capital grants & contributions	148,484	-	-	(148,484)
Revenue expenditure funded from capital under statute	(27,477)	-	-	27,477
Income in relation to donated assets	0	-	-	0
Carrying amount of non-current assets written off on derecognition as part of the gain or loss on disposal	(3,867)	-	-	3,867
Other	0	-	-	0
Items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment	20,757	-	-	(20,757)
Capital expenditure to General Fund	709	-	-	(709)
	82,206	0	0	(82,206)
Adjustments primarily involving Capital Grant Unapplied Account				
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	2,872	-	(2,872)	-
Application of grants to finance capital expenditure transferred to the Capital Adjustment account	-	-	2,737	(2,737)
	2,872	0	(135)	(2,737)
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited to the Comprehensive Income & Expenditure Statement as part of gain/loss on disposal	1,482	(1,482)	-	-
Payments to the government housing receipts pool	(4)	4	-	-
Capital receipts arising on repayment of grants	25	(25)	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	2,312	-	(2,312)
	1,503	809	0	(2,312)
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Deferred sale proceeds credited to the Comprehensive Income & Expenditure Statement as part of the gain/loss on disposal	0	0	0	0
Other movements	0	(3)	0	3
	0	(3)	0	3

3: NOTES TO THE FINANCIAL STATEMENTS

2025/26	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments involving the Financial Instrument Adjustment Account				
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	23	0	0	(23)
	23	0	0	(23)
Adjustments involving the Pension Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(22,792)	0	0	22,792
Employers pension contributions and direct payments to pensioners payable in the year	36,807	0	0	(36,807)
	14,015	0	0	(14,015)
Adjustments involving the Collection Fund Adjustment Account				
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	281	0	0	(281)
	281	0	0	(281)
Adjustments involving the Accumulated Absences Account				
Movement on accrual for short-term compensated absences	52	0	0	(52)
	52	0	0	(52)
Adjustments involving the Dedicated Schools Grant Adjustment Account				
School budget deficit transferred from General Fund in accordance with statutory requirements	(5,281)	-	-	5,281
	(5,281)	0	0	5,281
Adjustments involving the Pooled Investment Funds Adjustment Account				
Movement in fair value of specified pooled investment funds transferred to/from the General Fund in accordance with statutory requirements	0	0	0	0
	0	0	0	0
Movement during the year	95,671	806	(135)	(96,342)

3: NOTES TO THE FINANCIAL STATEMENTS

2024/25	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments primarily involving Capital Adjustment Account				
Reversal of items debited/credited to the Comprehensive Income & Expenditure Statement				
Depreciation and impairment of non-current assets	(52,548)	-	-	52,548
Revaluation (losses) /gains	3,374	-	-	(3,374)
Movement in the fair value of investment properties	735	-	-	(735)
Amortisation of intangible assets	(124)	-	-	124
Capital grants & contributions	162,772	-	-	(162,772)
Revenue expenditure funded from capital under statute	(41,487)	-	-	41,487
Income in relation to donated assets	0	-	-	0
Carrying amount of non-current assets written off on derecognition as part of the gain or loss on disposal	0	-	-	0
Other	0	-	-	0
Items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment	15,149	-	-	(15,149)
Capital expenditure to General Fund	304	-	-	(304)
	88,265	0	0	(88,265)
Adjustments primarily involving Capital Grant Unapplied Account				
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	2,625	-	(2,625)	-
Application of grants to finance capital expenditure transferred to the Capital Adjustment account	-	-	1,900	(1,900)
	2,625	0	(725)	(1,900)
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited to the Comprehensive Income & Expenditure Statement as part of gain/loss on disposal	29	(29)	-	-
Payments to the government housing receipts pool	0	0	-	-
Capital receipts arising on repayment of grants	512	(512)	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	2,412	-	(2,412)
	541	1,871	0	(2,412)
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Deferred sale proceeds credited to the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal	-	-	-	-
Other movements	-	(2)	-	2
	0	(2)	0	2

3: NOTES TO THE FINANCIAL STATEMENTS

2024/25 Continued	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments involving the Financial Instrument Adjustment Account Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	23	-	-	(23)
	23	0	0	(23)
Adjustments involving the Pension Reserve Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement Employers pension contributions and direct payments to pensioners payable in the year	(29,842)	-	-	29,842
	33,789	-	-	(33,789)
	3,947	0	0	(3,947)
Adjustments involving the Collection Fund Adjustment Account Amount by which council tax and non-domestic rates income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	2,074	-	-	(2,074)
	2,074	0	0	(2,074)
Adjustments involving the Accumulated Absences Account Movement on accrual for short-term compensated absences	662	-	-	(662)
	662	0	0	(662)
Adjustments involving the Dedicated Schools Grant Adjustment Account School budget deficit transferred from General Fund in accordance with statutory requirements	(5,570)	-	-	5,570
	(5,570)	0	0	5,570
Adjustments involving the Pooled Investment Funds Adjustment Account Movement in fair value of specified pooled investment funds transferred to/from the General Fund in accordance with statutory requirements	100	-	-	(100)
	100	0	0	(100)
Movement during the year	92,667	1,869	(725)	(93,811)

18. Usable Reserves

Reserve	At 31 March 2025 £'000	Net movement in the year £'000	At 31 March 2026 £'000	Note
Unearmarked General Fund Reserve	(32,512)	3,828	(26,684)	18.1
Earmarked General Fund Balance s	(80,636)	(1,990)	(82,626)	18.2
Total General Fund Balance	(113,148)	1,838	(111,310)	
Capital Receipts Reserve	(9,513)	806	(8,707)	18.3
Capital Grants Unapplied	(4,562)	(135)	(4,697)	18.4
Total Usable Reserves	(127,223)	2,509	(124,714)	

18.1 Unearmarked General Fund Reserve

The General Fund is the statutory fund into which all receipts of the Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice.

The General Fund Balance therefore summarises the resources the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.

	2025/26 £'000	2024/25 £'000
General Fund Balance at 1 April	(32,512)	(30,778)
Increase/(decrease) in year	3,828	(1,734)
Balance at 31 March	(28,684)	(32,512)

3: NOTES TO THE FINANCIAL STATEMENTS

18.2 Earmarked Reserves

This note summarises the amounts set aside from the General Fund in Earmarked Reserves to provide financing for future expenditure plans and the amounts released from Earmarked Reserves to meet General Fund expenditure.

	1 April 2024	Transfer between Reserves	Transfers in	Transfers Out	31 March 2025	Transfer to /(from) General Fund	Transfer between Reserves	Transfers in	Transfers Out	31 March 2026
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
DSG Funded Reserves										
Ringfenced Schools Reserves ¹	(1,473)	0	0	3,764	2,291	(247)	0	(1,583)	7,029	7,490
	(1,473)	0	0	3,764	2,291	(247)	0	(1,583)	7,029	7,490
Corporate Reserves										
Insurance reserves ²	(5,461)	0	0	0	(5,461)	0	0	0	0	(5,461)
PFI Reserve ³	(21,333)	0	(1,106)	604	(21,835)	0	0	0	635	(21,200)
Corporate ⁴	(5,058)	0	(1,733)	370	(6,421)	0	2	(4877)	1,691	(9,605)
NNDR ⁵	(5,000)	0	0	5,000	0	0	0	0	0	0
Capital ⁶	(2,220)	0	(31)	304	(1,947)	0	0	(154)	0	(2,101)
	(39,072)	0	(2,870)	6,278	(35,664)	0	2	(5,031)	2,326	(38,367)
Other Earmarked Reserves										
Bequests	(68)	0	0	5	(63)	0	0	0	10	(53)
Hosted Services (ICT, Libraries, Waste) ⁷	(1,901)	0	(387)	0	(2,288)	0	0	0	15	(2,273)
Kingmoor Park	0	0	(1,010)	0	(1,010)	0	0	(887)	0	(1,897)
Ringfenced grants & Contributions ⁸	(21,746)	0	(9,465)	862	(30,349)	0	(271)	(6,358)	4,733	(32,245)
Other Directorate Reserves ⁹	(12,575)	0	(1,702)	724	(13,553)	0	269	(2,393)	396	(15,281)
	(36,290)	0	(12,564)	1,591	(47,263)	0	(2)	(9,638)	5,154	(51,749)
Total	(76,835)	0	(15,434)	11,633	(80,636)	(247)	0	(16,252)	14,509	(82,626)

3: NOTES TO THE FINANCIAL STATEMENTS

¹Schools Reserves: carry forward of individual schools' surpluses and deficits in accordance the provisions of the Education Reform Act 1988 (Scheme of Local Management of Schools).

	At 31 March 2026		At 31 March 2025	
	No	£'000	No	£'000
Schools in surplus	83	(5,984)	94	(6,618)
Schools in deficit	41	13,474	31	8,909
Net Cumulative (surplus)/deficit	124	7,490	125	2,291

²Insurance reserve: amounts held to meet possible obligations arising from insured and uninsured (self-insured) risks where these obligations do not meet the definition of a provision under the requirements of the Code's adoption of IAS 37 Provisions, Contingent Assets and Liabilities).

³PFI Reserve: balance of annual PFI grant intended to cover notional capital element of PFI costs and other contributions set aside to support the Carlisle Northern Development Route.

⁴Corporate: amounts set aside to meet unbudgeted/unforeseen financial obligations.

⁵NNDR: amounts set aside to offset volatility in business rates income.

⁶Capital: amounts set aside to fund the capital programme.

⁷Hosted Services (ICT, Libraries, Waste): legacy reserves allocated to Cumberland under the s16 agreement in respect of services hosted by Cumberland Council.

⁸Ringfenced Revenue Grants & Contributions: balance of revenue grants and contributions that have no conditions or where the conditions have been met, but the expenditure to be financed from the grant or contribution has not been incurred at the balance sheet date.

⁹Other Directorate Reserves: carrying forward of budget underspends (excluding amounts in respect of revenue grants and contributions) and other amounts set aside from revenue to meet corporate priorities, future spending commitments and held as contingencies to manage corporate risks.

18.3 Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land and other assets which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

	2025/26 £'000	2024/25 £'000
Balance at 1 April	(9,513)	(11,382)
Sale proceeds credited to the Comprehensive Income & Expenditure Statement as part of gain/loss on disposal	(1,482)	(29)
Transfer from Deferred Capital Receipts Reserve	(3)	(2)
Capital receipt arising on repayment of grant assistance & long-term loan advances	(25)	(512)
Total capital receipts received in the year	(11,023)	(11,925)
Receipts applied to finance capital expenditure during the year	2,312	2,412
Payments to the government housing receipts pool	4	0
Balance at 31 March	(8,707)	(9,513)

3: NOTES TO THE FINANCIAL STATEMENTS

18.4 Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the balance of grants and contributions received towards capital projects in respect of which the Authority has met the conditions that would otherwise require repayment of the monies received, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

	2025/26 £'000	2024/25 £'000
Balance at 1 April	(4,562)	(3,837)
Capital Grants received in previous years and applied in current year	2,737	1,900
Capital Grants received in current year but not applied	(2,872)	(2,625)
Balance at 31 March	(4,697)	(4,562)

19. Unusable Reserves

Reserve	At 31 March 2025 £'000	Movement in the Year £'000	At 31 March 2026 £'000	Note
Revaluation Reserve	(212,295)	(4,007)	(216,302)	19.1
Capital Adjustment Account	(671,379)	(96,978)	(768,357)	19.2
Deferred Capital Receipts Reserve	(144)	3	(141)	19.3
Pensions Reserve	17,912	(612)	17,300	19.4
Collection Fund Adjustment Account	2,352	(281)	2,071	19.5
Financial Instruments Adjustment Account	326	(23)	303	19.6
Accumulated Absences Account	7,033	(52)	6,981	19.7
Dedicated Schools Grant Adjustment Account	19,693	5,281	24,974	19.8
Pooled Investment Funds Adjustment Account	(326)	0	(326)	19.9
Total Unusable Reserves	(836,828)	(96,669)	(933,497)	

3: NOTES TO THE FINANCIAL STATEMENTS

19.1 Revaluation Reserve

The Revaluation Reserve contains the gains arising from increases in the value of the Authority's Property, Plant and Equipment and Heritage Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains (including those arising from the application of annual indexation from 1 April 2025) accumulated since 1 April 2007, the date the Revaluation Reserve was first established under the Code. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2025/26 £'000	2024/25 £'000
Balance at 1 April	(212,295)	(198,470)
Revaluation of assets - current year	(13,730)	(20,492)
Amounts written off to the capital adjustment account:		
Difference between fair value depreciation and historical cost depreciation – current year	5,520	6,667
Accumulated gains on assets sold or scrapped – current year	2,917	0
Other	1,286	0
Balance at 31 March	(216,302)	(212,295)

19.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or the addition of subsequent costs to non-current asset under statutory provisions. The account is debited with the cost of acquisition, construction or subsequent costs, as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current value figures to a historical cost basis). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and subsequent costs. The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

3: NOTES TO THE FINANCIAL STATEMENTS

	2025/26 £'000	2024/25 £'000
Balance at 1 April	(671,379)	(572,135)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Depreciation of non-current assets	53,162	52,458
Revaluation (gain)/loss on Property, Plant & Equipment and Heritage Assets	1,564	(3,374)
Amortisation of intangibles	157	124
Revenue Expenditure Funded from Capital Under Statute	27,477	41,487
Carrying amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,867	0
Adjusting amounts written out of the Revaluation Reserve:		
Accumulated gains on assets sold written out of the Revaluation Reserve	(2,917)	0
Difference between fair value depreciation and historical cost depreciation	(5,520)	(6,667)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(2,312)	(2,412)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(148,484)	(162,772)
Application of grants to capital financing from the Capital Grants Unapplied Account	(2,737)	(1,900)
Statutory provision for the financing of capital investment charged against the General Fund (minimum revenue provision)	(20,757)	(15,149)
Capital expenditure charged against the General Fund balance	(709)	(304)
Movements in the fair value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1,517	(735)
Other movements	(1,286)	0
Balance at 31 March	(768,357)	(671,379)

19.3 Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains (income) recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2025/26 £'000	2024/25 £'000
Balance at 1 April	(144)	(146)
Deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	3	2
Other movements (fair value adjustment to associated receivable)	0	0
Balance at 31 March	(141)	(144)

3: NOTES TO THE FINANCIAL STATEMENTS

19.4 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to the pension fund or pays pensions for which it is directly responsible. The debit balance on the Pensions Reserve shows the shortfall between the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2025/26 £'000	2024/25 £'000
Balance at 1 April	17,912	20,917
Remeasurement of the net defined benefit liability/(asset)	13,403	942
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	22,792	29,842
Employers pension contributions and direct payments to pensioners payable in the year	(36,807)	(33,789)
Balance at 31 March	17,300	17,912

19.5 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rate payers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2025/26 £'000	2024/25 £'000
Balance at 1 April	2,352	4,426
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(281)	(2,074)
Balance at 31 March¹	2,071	2,352

¹ At 31 March 2026 the balance on the Collection Fund adjustment account comprises the Authority's share of the Collection Fund deficit attributable to Council tax of £3,224k (31.3.25: £198k surplus) less and surplus related to Business rates (NNDR) of £604k (31.3.25: 2,613k deficit) and reconciliation adjustments in respect of NNDR disregarded income of £549k (31.3.25: £63k).

3: NOTES TO THE FINANCIAL STATEMENTS

19.6 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains in accordance with statutory provisions. The Authority uses the Account to manage premiums and discounts paid or received on the early redemption of loans and for the recognition of interest on stepped interest loans. Premiums and discounts charged or credited to the Comprehensive Income and Expenditure Statement when incurred, are reversed out of the General Fund Balance to the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Over time, the expense/income is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

The interest expense on stepped interest loans charged to the Comprehensive Income and Expenditure Statement is calculated using the effective interest method. The difference between this amount and the contractual interest payable for the year charged to the general fund in accordance with statutory provisions is transferred to the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

	2025/26 £'000	2024/25 £'000
Balance at 1 April	326	349
Proportion of premiums incurred in previous financial years charged against the General Fund balance in accordance with statutory requirements	(11)	(12)
Adjustment for interest on stepped interest rate loans	(12)	(11)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(23)	(23)
Balance at 31 March	303	326

19.7 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2025/26 £'000	2024/25 £'000
Balance at 1 April	7,033	7,695
Settlement or cancellation of accrual made at the end of the preceding year	(7,033)	(7,695)
Amounts accrued at the end of the current year	6,981	7,033
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(52)	(662)
Balance at 31 March	6,981	7,033

3: NOTES TO THE FINANCIAL STATEMENTS

19.8 Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account holds accumulated deficits relating to the schools budget. Where the authority has incurred a deficit on its schools budget in years beginning 1 April 2020 ending 31 March 2026, the Local Authorities (Capital Finance and Accounting) Regulations 2003 (as amended) do not allow for such amounts to be included in the General Fund and instead must be held in this adjustment account.

	2025/26 £'000	2024/25 £'000
Balance at 1 April	19,693	14,123
School budget deficit transferred from General Fund in accordance with statutory requirements	5,281	5,570
Balance at 31 March	24,974	19,693

19.9 Pooled Investment Funds Adjustment Account

The Pooled Investment Funds Adjustment Account is a mechanism that is required by the capital finance and accounting regulations in England and Wales to hold the fair value movements in those pooled investment funds specified by the regulations. The difference between the amount charged or credited in the year to surplus or deficit on the provision of services in accordance with the Code and the amount charged or credited to the General Fund in accordance with regulations should be debited or credited to the General Fund balance with the double entry going to the pooled investment funds adjustment account such that the General Fund is charged or credited with the amount that accords with the applicable regulations.

	2025/26 £'000	2024/25 £'000
Balance at 1 April	(326)	(226)
Movement in fair value of specified pooled investment funds transferred to/from the General Fund in accordance with statutory requirements	0	(100)
Balance at 31 March	(326)	(326)

20. Property, Plant and Equipment

20.1 Net book value of Property, Plant and Equipment

	31 March 2026 £'000	31 March 2025 £'000
Infrastructure Assets	434,666	430,040
Other Property, Plant and Equipment Assets	861,689	756,594
Net Book Value at 31 March	1,296,355	1,186,634

20.2 Infrastructure Assets

	31 March 2026 £'000	31 March 2025 £'000
Net Book Value at 1 April	430,040	405,968
Remeasurements of service concession assets on initial application of IFRS 16	0	11,197
Additions	36,090	41,960
In year remeasurements of service concession assets	725	861
Transfers	0	361
Depreciation charge	(32,189)	(30,307)
Net Book Value at 31 March	434,666	430,040

In accordance with the Temporary Relief offered by the Code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The Authority has chosen not to disclose this information on the grounds that previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The Authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) - applicable to financial years beginning on or before 1 April 2028 - that the carrying amounts to be derecognised for infrastructure assets where there is replacement expenditure is nil.

3: NOTES TO THE FINANCIAL STATEMENTS

20.3 Other Property, Plant and Equipment Assets

2025/26	Other Land & Buildings	Equipment & Vehicles	Community Assets	Surplus Assets	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 1 April 2025	518,241	73,194	7,410	3,751	205,442	808,038
Remeasurement on initial application of IFRS 16	0	0	0	0	0	0
Additions	15,778	6,456	574	0	94,844	117,652
Additions - right of use (lease) assets	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,758	0	0	(6)	0	2,752
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,301)	0	0	6	0	(3,295)
Indexation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(14,504)	0	0	(34)	0	(14,538)
Indexation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services - indexation	(4,152)	0	0	(11)	0	(4,163)
Remeasurement of Right of Use Assets	(212)	0	0	0	0	(212)
Derecognition - disposals & other	(3,545)	(1,123)	0	(132)	0	(4,800)
Transfers	609	19	165	0	(711)	82
At 31 March 2026	511,672	78,546	8,149	3,574	299,575	901,516
Accumulated Depreciation & Impairment						
At 1 April 2025	(17,343)	(34,100)	0	(1)	0	(51,444)
Depreciation Charge	(14,612)	(6,350)	0	(4)	0	(20,966)
Depreciation written out to the Revaluation Reserve - Revaluations	4,026	0	0	0	0	4,026
Depreciation written out to Surplus/Deficit on the Provision of Services – Revaluations	816	0	0	0	0	816
Depreciation written out to the Revaluation Reserve - Indexation	21,490	0	0	0	0	21,490
Depreciation written out to Surplus/Deficit on the Provision of Services – Indexation	5,074	0	0	4	0	5,078
Derecognition - disposals & other	64	1,109	0	0	0	1,173
At 31 March 2026	(485)	(39,341)	0	(1)	0	(39,827)
Net Book Value at 31 March 2026	511,187	39,205	8,149	3,573	299,575	861,689
Net Book Value at 31 March 2025	500,898	39,094	7,410	3,750	205,442	756,594

Analysis of the carrying amounts of right of use (leased) assets and assets held under service concession arrangements included in the above table at the Balance Sheet date, and an analysis of the movement in those values is set out in notes 44 and 45.

3: NOTES TO THE FINANCIAL STATEMENTS

2024/25	Other Land & Buildings £'000	Equipment & Vehicles £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total £'000
Cost or Valuation						
At 1 April 2024	488,605	59,462	7,233	3,881	107,723	666,904
Remeasurement on initial application of IFRS 16	4,056	3,215	0	0	0	7,271
Additions	11,758	5,038	177	0	102,030	119,003
Additions - right of use (lease) assets	0	5,293	0	0	0	5,293
Revaluation increases/(decreases) recognised in the Revaluation Reserve	8,020	0	0	(86)	0	7,934
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	3,038	0	0	(44)	0	2,994
Remeasurement of Right of Use Assets	24	0	0	0	0	24
Derecognition - disposals & other	0	(430)	0	0	0	(430)
Transfers	2,740	616	0	0	(4,311)	(955)
At 31 March 2025	518,241	73,194	7,410	3,751	205,442	808,038
Accumulated Depreciation & Impairment						
At 1 April 2024	(14,607)	(28,063)	0	(1)	0	(42,671)
Depreciation Charge	(15,669)	(6,467)	0	(5)	0	(22,141)
Depreciation written out to the Revaluation Reserve	12,554	0	0	4	0	12,558
Depreciation written out to Surplus/Deficit on the Provision of Services	379	0	0	1	0	380
Derecognition - disposals & other	0	430	0	0	0	430
At 31 March 2025	(17,343)	(34,100)	0	(1)	0	(51,444)
Net Book Value at 31 March 2025	500,898	39,094	7,410	3,750	205,422	756,594
Net Book Value at 1 April 2024	473,998	31,399	7,233	3,880	107,723	624,233

20.4 Revaluations - Other Property Plant & Equipment

The Authority has adopted a rolling programme of revaluations over a five-year cycle, with annual indexation applied to assets during the four intervening years. This is applied to the following categories of non- investment assets:

- Operational - Other land and buildings
- Non-operational surplus land and buildings
- Right-of-use (leased) assets measured at current value in accordance with the Code

Where an index is not available or cannot be obtained without undue cost or effort, the Authority revalues the given asset using a quinquennial revaluation, supplemented by a desktop revaluation in year three.

3: NOTES TO THE FINANCIAL STATEMENTS

Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations summarised in the following tables were undertaken by external valuers Wilks, Head & Eve (2026, 2025, 2024, 2023, 2022, 2021, and 2020), Montague Evans (2023, 2022, 2021, and 2020) and the Valuation Office Agency (2023, 2022, 2021, 2020), in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy and the Royal Institution of Chartered Surveyors Valuation – Professional Standards and Guidance (the ‘Red Book’).

Vehicles, plant, furniture and equipment that have short useful lives or low values (or both) are measured at depreciated historical cost as a proxy for current value.

At 31 March 2026	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Const. £'000	Total £'000
Carried at historical cost	476	78,546	8,149	-	299,575	386,746
Valued at current value at:						
31 March 2026	10,704	-	-	-	-	10,704
31 March 2025	177,231	-	-	3,406	-	180,637
31 March 2024	196,067	-	-	213	-	196,280
31 March 2023	123,888	-	-	-	-	123,888
31 March 2022	21,962	-	-	-	-	21,962
31 March 2021	-	-	-	-	-	-
Indexation applied to valuations above	(18,656)	-	-	(45)	-	(18,701)
Total Cost or Valuation	511,672	78,456	8,149	3,574	299,575	901,516

At 31 March 2025 (as restated)	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Const. £'000	Total £'000
Carried at historical cost	5,507	73,194	7,410	-	205,442	291,553
Valued at current value at:						
31 March 2025	133,211	-	-	3,537	-	136,748
31 March 2024	193,355	-	-	213	-	193,568
31 March 2023	159,117	-	-	1	-	159,117
31 March 2022	21,149	-	-	-	-	21,149
31 March 2021	5,793	-	-	-	-	5,793
31 March 2020	110	-	-	-	-	110
Total Cost or Valuation	518,241	73,194	7,410	3,751	205,442	808,038

20.5 Surplus Assets

Valuation process for Surplus Assets

Surplus assets (i.e. assets that are not being used to deliver services, but that do not meet the criteria to be classified as either investment properties or non-current assets held for sale) are measured at fair value estimated at highest and best use from a market participant’s perspective. Valuations of the Authority’s surplus assets are undertaken in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy and the Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards and Guidance (the ‘Red Book’) using an Income (income capitalisation) Approach or Market Approach.

3: NOTES TO THE FINANCIAL STATEMENTS

Fair value measurement of surplus property - fair value hierarchy

The following tables show the levels within the hierarchy of surplus property measured at fair value on a recurring basis.

	Level 1	Level 2	Level 3	Fair value at 31 March 2026
	£'000	£'000	£'000	£'000
Miscellaneous residential & commercial lettings	-	-	350	350
Vacant land	-	-	3,224	3,224
At 31 March 2026	-	-	3,574	3,574

	Level 1	Level 2	Level 3	Fair value at 31 March 2025
	£'000	£'000	£'000	£'000
Miscellaneous residential & commercial lettings	-	-	350	350
Vacant land	-	-	3,401	3,401
At 31 March 2025	-	-	3,751	3,751

Transfers between Levels of the fair value hierarchy

There were no transfers between Levels 1 and 2 during the year.

Valuation techniques used to determine Level 2 and 3 fair values for surplus assets

Income approach

Fair values estimated using the income approach involve use of a discounted cash flow (income capitalisation) methodology to convert future cash flows from the property (for example future rental income) to a single current capital value using an appropriate market derived discount rate (capitalisation yield). Capitalisation yields and future rental values are based on comparable property and leasing transactions in the market using the valuers professional judgement and market observation.

Market approach

Where the market approach is used, properties are valued by reference to market-based evidence using observed prices for recent market transactions for comparable properties. Where appropriate, adjustments are made to market price information to reflect differences in the legal, economic or physical characteristics of the property being valued. These include significant unobservable adjustments to reflect differences in the nature, condition and location of the property, tenure and encumbrances.

Where an income approach, or market approach with significant unobservable adjustment has been used, valuations are predominately based on unobservable inputs and accordingly are categorised as level 3 within the fair value hierarchy. Where a market approach does not include significant unobservable adjustments, these assets are categorised as level 2.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

3: NOTES TO THE FINANCIAL STATEMENTS

Reconciliation of Fair Value Measurements categorised within Level 3 of the Fair Value Hierarchy

The following table provides a reconciliation of the opening balances to the closing carrying amounts of non-financial assets classified within Level 3.

2025/26	Misc. residential & commercial lettings £'000	Vacant land £'000	Total £'000
Carrying amount at 1 April 2025	349	3,401	3,750
Changes in fair values of surplus properties recognised in the Surplus or Deficit on the Provision of Services	4	2	6
Changes in fair values of surplus properties recognised in Other Comprehensive Income & Expenditure	(4)	(2)	(6)
Indexation adjustments recognised in the Surplus or Deficit on the Provision of Services	3	(10)	(7)
Indexation adjustments recognised Other Comprehensive Income & Expenditure	1	(35)	(34)
Additions	0	0	0
Disposals	0	(132)	(132)
Transfers	0	0	0
Depreciation	(4)	0	(4)
Carrying amount at 31 March 2026	349	3,224	3,573
Amount included in the Surplus or Deficit on the Provision of Services for unrealised gains on Level 3 assets held at 31 March 2026	7	(8)	(1)

2024/25	Misc residential & commercial lettings £'000	Vacant land £'000	Total £'000
Carrying amount at 1 April 2024	416	3,464	3,880
Changes in fair values of surplus properties recognised in the Surplus or Deficit on the Provision of Services	(38)	(5)	(43)
Changes in fair values of surplus properties recognised in Other Comprehensive Income and Expenditure	(24)	(58)	(82)
Additions	0	0	0
Disposals	0	0	0
Transfers	0	0	0
Depreciation	(5)	0	(5)
Carrying amount at 31 March 2025	349	3,401	3,750
Amount included in the Surplus or Deficit on the Provision of Services for unrealised gains on Level 3 assets held at 31 March 2025	(38)	(5)	(43)

21. Heritage Assets

Heritage assets comprise those assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. The Authority's Heritage Assets include historical sites and monuments, civic regalia, museum collections and other items including paintings and items within the Authority's archive collection.

A reconciliation of the movement in the carrying amount of the Authority's heritage assets in set out in the following table:

3: NOTES TO THE FINANCIAL STATEMENTS

2025/26	At cost		At Valuation			Tangible Heritage Assets £'000	Intangible Heritage Assets £'000	Total £'000
	Historical Sites & Monuments £'000	Nature Reserves £'000	Museum Collections £'000	Civic Regalia £'000	Other £'000			
Cost or Valuation								
At 1 April 2025	1,811	126	25,995	130	544	28,606	46	28,652
Additions - purchased	0	0	0	0	0	0	0	0
Additions - donated	0	0	0	0	0	0	0	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
At 31 March 2026	1,811	126	25,995	130	544	28,606	46	28,652
Accumulated depreciation & impairment								
At 1 April 2025	(106)	0	0	0	0	(106)	(40)	(146)
Depreciation charge	(7)	0	0	0	0	(7)	(3)	(10)
At 31 March 2026	(113)	0	0	0	0	(113)	(43)	(1,560)
Net book value at 31 March 2026	1,698	126	25,995	130	544	28,493	3	28,496

2024/25	At cost		At valuation			Tangible Heritage Assets £'000	Intangible Heritage Assets £'000	Total £'000
	Historical Sites & Monuments £'000	Nature Reserves £'000	Museum Collections £'000	Civic Regalia £'000	Other £'000			
Cost or Valuation								
At 1 April 2024	1,811	126	25,995	130	544	28,606	46	28,652
Additions - purchased	0	0	0	0	0	0	0	0
Additions - donated	0	0	0	0	0	0	0	0
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
At 31 March 2025	1,811	126	25,995	130	544	28,606	46	28,652
Accumulated depreciation & impairment								
At 1 April 2024	(99)	0	0	0	0	(99)	(37)	(136)
Depreciation charge	(7)	0	0	0	0	(7)	(3)	(10)
At 31 March 2025	(106)	0	0	0	0	(106)	(40)	(146)
Net book value at 31 March 2025	1,705	0	25,995	130	544	28,500	6	28,506

21.1 Description of the Council's Collection of Heritage Assets

Historical sites and monuments

The Authority owns a number of historical sites, monuments and statues. These historical sites are now, in the main, buried or ruins and consist of the Roman Cumbrian Coast defence (Milefortlet 21 Swarthy Hill), the famous Salt Pans of West Cumbria, Workington Hall in the grounds of Curwen Park, the iron lighthouse at Maryport and the Workington Pit heads. This category of heritage assets also includes Dixons Chimney, West Walls, Castle Banks, and Roman Frontier Public Realm works in Carlisle along with several assets acquired as part of the Workington Town Centre Development. These include the Curwen Column and the Lookout Clock. Where historic cost information related to these assets is available this cost (net of any impairments) is included in the reported carrying value of heritage assets. This includes capital expenditure incurred by the Authority and its predecessor Authority's on these sites in the period subsequent to acquisition.

Nature Reserves

The Authority owns several areas of land classified as nature reserves. A number of these have been categorised as heritage assets, reflecting their recognition as areas of special scientific interest given the unique and rare wildlife they support. Where historic cost information related to these sites is available this cost is included in the carrying value of heritage assets. This includes capital expenditure incurred by the Authority and its predecessor Authority's on these sites in the period subsequent to acquisition.

Museum Collections

The Authority's museum collections consist of circa one million objects included in the collections held at the Maryport Maritime Museum, Tullie House Museum and Art Gallery, Carlisle and the Beacon Museum, Whitehaven. Objects included within the Authority's combined museum collections fall into four main categories:

Category	
Fine and Decorative Art	Oil paintings, watercolours, drawings, prints, photographs, sketch books and sculpture. Furniture, pottery, ceramics, metalwork and silverware, glassware, clocks and barometers.
Social History	Objects and ephemera relating to working, domestic and recreational activities including photographs, costumes and textiles; oral history collection; books and maps; watches, clocks and firearms.
Archaeology and Numismatics	Archaeological Items and material encompassing prehistory to the early modern period; coins, tokens, medals.
Natural Science.	Zoology including extensive and nationally significant entomology collection, Taxidermy specimens; Botanical collection of Lakeland and British herbaria, including mosses and lichens. Fungi; Geological collection of mineral, fossil and rock specimens.

Museum collections are reported in the Balance Sheet at an insurance valuation based on open market replacement cost for items of a comparable nature, age and condition. The Fine Art, Decorative Art and Social History collections held at Tullie House Museum, which in aggregate represent around 80% of the carrying value of museum collections, were revalued by Adam Schoon Independent Antiques and Fine Art valuer in March 2022 (Fine Art Collection) and February 2023 (Decorative Arts and Social History).

Other items within the Authority's Museum collections were revalued by specialist external valuers Bonhams, Mitchells Antiques & Fine Art Auctioneers and Valuers and Doerr Dallas Valuations at various dates between 2014 and 2022.

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While there is no requirement for valuations to be carried out or verified by external valuers, nor any prescribed maximum period between valuations. The carrying amounts of heritage asset measured at valuations are reviewed with sufficient frequency to ensure the valuations remain current.

Civic Regalia - comprising mayoral chains, ceremonial mace and items of jewellery, is included in the Balance Sheet at an insurance valuation based on the estimated replacement cost of each item.

Other tangible heritage assets - recognised on the balance sheet include items within the Authority's archive collection along with paintings and other items not forming part of the Authority's Museum collections. These items are measured using insurance values.

21.2 Heritage Assets not recognised on the balance sheet

Where, information on the cost or value of a heritage asset is not available and cannot be obtained at a cost that is commensurate with the benefits to users of the financial statements, the asset is not recognised on the Balance. The Authority owns a number of heritage assets including statues, monuments, historical sites and nature reserves for which historic cost information is not available and in respect of which it is not practicable to obtain a valuation due to the nature of the asset. In the absence of information relating to historic cost or value, these assets are not recognised in the balance sheet.

21.3 Acquisition, Preservation, Management and Disposal

Collections Policies (Collections Development Policies) are in place at all of the Authority's Museums. In addition to setting out the museums' statement of purpose and providing an overview of the current collections, the Collection Policies also outline the guiding principles for the acquisition, preservation, management and disposal of museum collections.

22. Investment Property

Investment property comprises land and buildings held solely to earn rentals and/or for capital appreciation. The following table summarises the movement in the carrying value (fair value) of investment properties during the year.

	2025/26	2024/25
	£'000	£'000
At 1 April	151,320	149,896
Additions - acquisitions	0	0
Additions - subsequent expenditure	4,689	94
Disposals	(240)	0
Transfers from/(to) Property, Plant and Equipment	(95)	595
Net gains/(losses) from fair value adjustments	(1,517)	735
At 31 March	154,157	151,320

Valuation process for Investment Properties

The fair value of the Authority's investment property is measured annually at each reporting date by external property valuation experts. Valuations are undertaken in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy and the Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards and Guidance (the 'Red Book') using an Income (income capitalisation) Approach or Market Approach.

3: NOTES TO THE FINANCIAL STATEMENTS

Fair value measurement of Investment property - fair value hierarchy

The following tables show the levels within the hierarchy of investment property measured at fair value on a recurring basis.

	Level 1	Level 2	Level 3	Fair value at 31 March 2026
	£'000	£'000	£'000	£'000
Retail Lettings	-	-	36,638	36,638
Residential & Commercial Lettings	-	-	32,234	32,207
Managed Industrial Estates	-	-	70,370	70,370
Vacant Land & Industrial Sites	-	-	14,915	14,942
At 31 March 2026	-	-	154,157	154,157

	Level 1	Level 2	Level 3	Fair value at 31 March 2025
	£'000	£'000	£'000	£'000
Retail Lettings	-	-	37,148	37,148
Residential & Commercial Lettings	-	-	32,774	32,774
Managed Industrial Estates	-	-	67,265	67,265
Vacant Land & Industrial Sites	-	-	14,133	14,132
At 31 March 2025	-	-	151,320	151,320

Transfers between Levels of the fair value hierarchy

There were no transfers between Levels 1 and 2 during the year.

Valuation techniques used to determine Level 2 and 3 fair values for investment properties

Income approach

Fair values estimated using the income approach involve use of a discounted cash flow (income capitalisation) methodology to convert future cash flows from the property (for example future rental income) to a single current capital value using an appropriate market derived discount rate (capitalisation yield). Capitalisation yields and future rental values are based on comparable property and leasing transactions in the market using the valuers professional judgement and market observation.

Market approach

Where the market approach is used, properties are valued by reference to market-based evidence using observed prices for recent market transactions for comparable properties. Where appropriate, adjustments are made to market price information to reflect differences in the legal, economic or physical characteristics of the property being valued. These include significant unobservable adjustments to reflect differences in the nature, condition and location of the property, tenure and encumbrances.

Where an income approach, or market approach with significant unobservable adjustment has been used, valuations are predominately based on unobservable inputs and accordingly are categorised as level 3 within the fair value hierarchy. Where a market approach does not include significant unobservable adjustments, these assets are categorised as level 2.

3: NOTES TO THE FINANCIAL STATEMENTS

Highest and Best Use of Investment Properties

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Reconciliation of Fair Value Measurements categorised within Level 3 of the Fair Value Hierarchy

The following table provides a reconciliation of the opening balances to the closing carrying amounts of non-financial assets classified within Level 3.

	Retail Lettings £'000	Residential & Commercial Lettings £'000	Managed Industrial Estates £'000	Vacant Land & Industrial Sites £'000	Total £'000
Carrying amount at 1 April 2025	37,148	32,774	67,265	14,133	151,320
Changes in fair values of investment properties recognised in the Surplus or Deficit on the Provision of Services ¹	(1,874)	(119)	3,105	(2,629)	(1,517)
Additions	310	917	0	3,462	4,689
Disposals	0	(240)	0	0	(240)
Transfers	1,054	(1,098)	0	(51)	(95)
Carrying amount at 31 March 2026	36,638	32,234	70,370	14,915	154,157
Amount included in the Surplus or Deficit on the Provision of Services for unrealised gains on Level 3 assets held at 31 March 2026	(1,874)	(119)	3,105	(2,629)	(1,517)

	Retail Lettings £'000	Residential & Commercial Lettings £'000	Managed Industrial Estates £'000	Vacant Land & Industrial Sites £'000	Total £'000
Carrying amount at 1 April 2024	37,169	31,416	66,925	14,386	149,896
Changes in fair values of investment properties recognised in the Surplus or Deficit on the Provision of Services ¹	21	886	340	(470)	735
Additions	0	55	0	39	94
Disposals	0	0	0	0	0
Transfers	0	417	0	178	595
Carrying amount at 31 March 2025	37,148	32,774	67,265	14,133	151,320
Amount included in the Surplus or Deficit on the Provision of Services for unrealised gains on Level 3 assets held at 31 March 2025	21	886	340	(470)	735

¹Gains or losses arising from changes in the fair value of the investment property are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure.

Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs – Level 3

Details of the valuation techniques and significant unobservable inputs, used in determining the fair value measurement of investment property classified within Level 3, are set out in the

3: NOTES TO THE FINANCIAL STATEMENTS

following table together with a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs.

	Fair value at 31/03/26 £'000	Valuation technique	Significant unobservable inputs
Retail Lettings	36,638	Income	Estimated yield Rental value (rent passing/reversion rent) p.a.
Residential & Commercial Lettings	8,765	Market	Estimated sale value per unit Estimated value per h.a./plot value
	23,469	Income	Estimated yield Rental value (rent passing/ reversion rent/profit rent) p.a.
Managed Industrial Estates	69,765	Income	Estimated yield Rental value (rent passing/ reversion rent) p.a.
	605	Market	Estimated value per h.a.
Vacant Land & Industrial Sites	14,432	Market	Estimated value per h.a./plot value; reversion yield
	483	Income	Estimated yield
	154,157		Rental value (rent passing/ reversion rent) p.a.

	Fair value at 31/03/25 £'000	Valuation technique	Significant unobservable inputs
Retail Lettings	37,148	Income	Estimated yield Rental value (rent passing/reversion rent) p.a.
Residential & Commercial Lettings	32,774	Market	Estimated sale value per unit Estimated value per h.a./plot value
		Income	Estimated yield Rental value (rent passing/ reversion rent/profit rent) p.a.
Managed Industrial Estates	67,265	Income	Estimated yield Rental value (rent passing/ reversion rent) p.a.
		Market	Estimated value per h.a.
Vacant Land & Industrial Sites	14,133	Market	Estimated value per h.a./plot value; reversion yield
		Income	Estimated yield
	151,320		Rental value (rent passing/ reversion rent) p.a.

Significant changes in rental income and rent growth, vacancy levels or discount rate would result in a significantly lower or higher fair value. All other factors being equal, a higher equivalent yield or discount rate would lead to a decrease in the valuation of an asset while an increase in the current or estimated future rental stream would have the effect of increasing the capital value and vice versa.

3: NOTES TO THE FINANCIAL STATEMENTS

Rental income and operating expenses from Investment Property

The rental income and operating expenses from Investment Property are summarised in the table below:

	2025/26			2024/25		
	Expenditure £'000	Income £'000	Net. £'000	Expenditure £'000	Income £'000	Net £'000
Investment Property	1,074	(6,471)	(5,397)	1,158	(5,799)	(4,641)
	1,074	(6,471)	(5,397)	1,158	(5,799)	(4,641)

23. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Capital expenditure not financed through the application of capital grants, contributions, capital receipts or a direct charge to revenue will increase the Authority's Capital Financing Requirement (CFR), reflecting the extent to which expenditure has yet to be financed and the underlying need to borrow for capital purposes. The movement in the CFR is analysed in the second part of this note. The CFR is reduced by the Minimum Revenue provision (MRP). This is an annual amount required to be set aside from the General Fund to meet the capital cost of expenditure not financed from grants, revenue contributions or capital receipts.

	2025/26 £'000	2024/25 £'000
Opening Capital Financing Requirement	483,252	438,512
Remeasurements on implementation of IFRS 16 (1 April 2024)	0	18,468
In year remeasurement of service concession and lease liabilities	513	885
Capital investment:		
Property Plant & Equipment	153,742	160,963
Property Plant & Equipment – right of use assets acquired	0	5,293
Property Plant & Equipment – write-off of prior year expenditure	0	0
Investment Property	4,689	94
Intangible Assets	598	87
Heritage Assets – purchased and donated		0
Revenue Expenditure Funded from Capital under Statute	27,477	41,487
Financing:		
Capital receipts	(2,312)	(2,412)
Government grants, contributions and donations	(151,221)	(164,672)
Direct revenue contributions & use of earmarked reserves	(709)	(304)
Minimum Revenue Provision (MRP)	(20,757)	(15,149)
Closing Capital Financing Requirement	495,272	483,252
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow – unfinanced capital expenditure incurred in year	32,264	35,243
Right of Use Assets acquired under lease	0	5,293
Remeasurement of service concession and lease liabilities	513	19,353
Less: Amounts set aside from Revenue (MRP)	(20,757)	(15,149)
Increase/(decrease) in Capital Financing Requirement	12,020	44,740

24. Investments

	31 March 2026 £'000	31 March 2025 £'000
Investments in associates & joint ventures		
Cumbria County Holdings Limited - ordinary shares	1,592	1,592
Other Long-term investments		
Cumberland Investment Partnership LLP secured investor loan notes 2034	0	0
CCLA Local Authorities Property Fund	3,163	3,163
Unquoted equity investments	13	13
	4,768	4,768
Short-term (loans & receivables)		
Term deposits and notice accounts	0	0
	4,768	4,768

25. Short-term Debtors

	31 March 2026 £'000	31 March 2025 £'000
Trade and other receivables	70,513	129,637
Council Tax receivable	22,643	19,509
NNDR receivable	3,819	3,154
Residential and non-residential care charges	17,393	14,439
Housing benefit overpayments	2,885	3,054
Other taxation and social security	8,719	8,006
Capital debtors	7,638	13,039
	133,610	190,838
Allowance for credit losses:		
- Trade and other receivables	(3,401)	(3,859)
- Residential and non-residential care charges	(3,544)	(2,760)
- Council Tax	(11,236)	(9,551)
- NNDR	(1,657)	(1,146)
- Housing Benefit overpayments	(2,213)	(2,693)
	(22,051)	(20,009)
	111,559	170,829

26. Non IFRS9 financial assets that are either past due or impaired

An analysis of the age of non IFRS 9 financial assets, comprising Council Tax, NNDR and Housing Benefit overpayments that were either past due at the balance sheet date or impaired, is set out in the following table:

3: NOTES TO THE FINANCIAL STATEMENTS

	31 March 2026			
	Council Tax £'000	NNDR £'000	Housing benefit overpayments £'000	Total £'000
Past due status				
Past due less than 12 months	7,725	1,833	318	9,876
Past due more than 12 months	14,918	1,986	2,567	19,471
Total	22,643	3,819	2,885	29,347

	31 March 2025			
	Council Tax £'000	NNDR £'000	Housing benefit overpayments £'000	Total £'000
Past due status				
Past due less than 12 months	6,735	1,436	420	8,591
Past due more than 12 months	12,774	1,718	2,634	17,126
Total	19,509	3,154	3,054	25,717

A summary of the loss allowance at the balance sheet date, analysed by class of debtor and showing separately the amounts determined on an individual and collective basis is set out in the following table.

	31 March 2026			31 March 2025		
	Individual impairment £'000	Collective impairment £'000	Total £'000	Individual impairment £'000	Collective impairment £'000	Total £'000
- Council Tax	0	(11,236)	(11,236)	0	(9,551)	(9,551)
- NNDR	0	(1,657)	(1,657)	0	(1,146)	(1,146)
- Benefits	0	(2,213)	(2,213)	0	(2,693)	(2,693)
Total Allowance	0	(15,106)	(15,106)	0	(13,390)	(13,390)

27. Cash and Cash Equivalents

	31 March 2026 £'000	31 March 2025 £'000
Cash in hand	2	2
Petty Cash & imprest balances	41	115
Bank current accounts	391	0
Bank current accounts - cheque book schools	10,801	11,761
Call accounts (same day access funds)	3,817	14,780
Term & Notice Accounts	46,366	14,172
Money Market Funds	64,207	45,443
Other bank deposits	216	213
Cash and Cash Equivalents (balance sheet)	125,841	86,486
Bank Overdraft	(8,516)	(1,663)
Cash and Cash Equivalents (cash flow statement)	117,325	84,823

3: NOTES TO THE FINANCIAL STATEMENTS

28. External Borrowing

	31 March 2026 £'000	31 March 2025 £'000
Short-term Borrowing:		
Public Works Loan Board (inc. accrued interest)	(49,255)	(3,700)
Lender Option Borrower Option (LOBO) Loans	(154)	(150)
Local Bonds	(31)	(31)
Trust Funds	(67)	(67)
	(49,477)	(3,948)
Long-term Borrowing		
Public Works Loan Board	(219,203)	(265,421)
Lender Option Borrower Option (LOBO) Loans	(16,285)	(16,298)
	(235,488)	(281,719)
	(284,965)	(285,667)

Analysis of loans by maturity:

Amounts repayable	31 March 2026 £000	31 March 2025 £'000
Within 1 year	(49,477)	(3,948)
Between 1 & 2 years	(887)	(46,230)
Between 2 & 5 years	(20,131)	(12,659)
Between 5 & 10 years	(32,801)	(26,428)
After more than 10 years	(181,669)	(196,402)
	(294,965)	(285,667)

29. Short-term Creditors

	31 March 2026 £000	31 March 2025 £'000
Trade payables	(39,486)	(42,790)
Other payables - capital	(21,144)	(21,628)
Other payables - revenue	(35,315)	(54,160)
Accountable body and Trust Funds	(9,266)	(9,787)
Other taxation and social security	(5,909)	(2,836)
Unpaid holiday pay	(7,249)	(7,033)
Lease liabilities	(1,432)	(1,981)
Service concession liabilities	(4,587)	(4,003)
	(124,388)	(144,218)

3: NOTES TO THE FINANCIAL STATEMENTS

30 Grants and Contributions receipts in advance

	31 March 2026 £'000	31 March 2025 £'000
Developer contributions - section 106 Town and Country Planning Act 1990 and sections 38 and 278 Highways Act 1980	(4,630)	(1,349)
Capital grants received in advance	(80,622)	(59,230)
Revenue grants received in advance	(14,038)	(12,406)
	(99,290)	(72,985)

31. Contract and Other Liabilities

	31 March 2026 £'000	31 March 2025 £'000
Deferred income (receipts in advance)	(3,428)	(2,945)
NNDR received in advance	(1,293)	(1,546)
Council Tax received in advance	(4,156)	(3,729)
Other	0	(193)
	(8,877)	(8,413)

32. Provisions

	Insurance £'000	Business Rates Appeals £'000	Waste Disposal (Hosted) £'000	Other £'000	Total £'000
Balance at 1 April 2025	(4,727)	(2,589)	(2,212)	(4,435)	(13,963)
Additional provisions made in 2025-26	(407)	(211)	0	(756)	(1,374)
Provision utilised in year	0	825	0	37	862
Unused amounts reversed in year	0	0	1,827	1,823	3,650
Unwinding of discounting	0	0	0	0	0
At 31 March 2026	(5,134)	(1,975)	(385)	(3,331)	(10,825)
Disclosed as:					
At 31 March 2026					
Current component	(3,374)	(1,975)	(385)	(3,256)	(8,990)
Long-term component	(1,760)	0	0	(75)	(1,835)
	(5,134)	(1,975)	(385)	(3,331)	(10,825)
At 1 April 2025					
Current component	(2,967)	(2,589)	(2,212)	(4,004)	(11,772)
Long-term component	(1,760)	0	0	(431)	(2,191)
	(4,727)	(2,589)	(2,212)	(4,435)	(13,963)

(a) Insurance

The insurance provision includes amounts set aside to meet:

- uninsured liabilities including insurances excesses in respect of notified claims
- the estimated liability in respect of claims incurred but not reported.

3: NOTES TO THE FINANCIAL STATEMENTS

(b) Business rates appeals

Under the business rates retention scheme, the Authority is responsible for meeting a share of the liability for refunding business ratepayers who successfully appeal against the rateable value of their properties on the rating list.

The provision of £1,974,861 (31.3.25: £2,588,627) represents the Authority's share (49%) of the total provision at 31 March 2025 of £4,030,331 (31.3.25: £5,282,912) in respect of the potential refund of business rates income as a result of successful appeals for years up to and including 2025-26. The provision at 31 March 2026 includes £1,924,609 (31.3.25: £2,240,838) in respect of potential obligations that may arise from successful appeals, made against the 2023 valuation list and £50,252 (31.3.25: £347,790) against the 2017 list.

The total cost of appeals settled during 2025-26 was £1,683,203 (2024-25: £3,852,181). The Authority's share of this cost was £824,770 (2024-25: £1,887,568) (49%). Of this £824,770 was charged against the provision brought forward at 1 April 2025.

(c) Waste

Amounts set aside in respect of the settlement of disputed obligations associated with the Council's contract for waste disposal services.

(d) Other

Other provisions include amounts set aside to meet:

- amounts set aside to meet costs associated with the settlement of cost share arrangements in respect of shared waste disposal services and the settlement of compensation claims from contractors following the temporary closure of contractor managed facilities
- Leasehold dilapidations
- Other miscellaneous provisions.

33. Long-term Creditors

	31 March 2026 £'000	31 March 2025 £'000
Lease liabilities	(9,034)	(11,100)
Service concession (PFI/PPP) liabilities	(93,280)	(97,426)
	(102,314)	(108,526)

34. Grants and Contributions Receipts in Advance

	31 March 2026 £'000	31 March 2025 £'000
Developer contributions - section 106 of the Town and Country Planning Act 1990 and sections 38 and 278 of the Highways Act 1980	(11,687)	(13,919)
Capital grants received in advance	(4,823)	(4,376)
	(16,510)	(18,295)

35. Other long-term liabilities

	31 March 2026 £'000	31 March 2025 £'000
Deferred gain on refinancing of PFI contracts	(6,873)	(7,402)
	(6,873)	(10,011)

36. Pensions Accounted for as Defined Contribution Scheme

36.1 Teachers Pension Scheme

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education. The Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries

The scheme is a multi-employer, defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years. However, the number of participating employers means it is not possible for the Authority to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of the statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2025-26, the employer contribution rate was 28.68% (2024-25: 23.68%). The amount recognised as an expense in 2025-26 in respect of contributions payable to the Teachers' Pensions Scheme was £18,756,549 (2024-25: £18,269,504).

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 37.

The Authority is not liable to the scheme for any other entities' obligations under the plan.

36.2 NHS Staff Pension Scheme

Staff who transferred to the Authority from the NHS can choose to maintain their membership in the NHS Pension Scheme. Administered by the NHS Business Services Authority on behalf of the Department of Health and Social Care (DHSC), the Scheme provides these employees with specified benefits upon their retirement. The Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. As a result, for the purposes of the Statement of Accounts, the Authority accounts for the scheme on the same basis as a defined contribution scheme.

In 2025-26 the amount recognised as an expense in respect of employer contributions payable to the NHS Pension Scheme was £60,894 (2024-25: £51,915), representing 14.38% (2024-25: 14.38%) of pensionable pay plus the 2.5% additional contribution invoiced by NHS pensions (2024-25:2.5%).

37. Defined Benefit Pension Schemes

37.1 Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits are not payable until employees retire, the Authority has a commitment to make payments (for those benefits) that needs to be recognised and disclosed at the time employees earn their future entitlement.

The Authority participates in the Cumbria Local Government Pension Scheme (the Scheme). The Scheme is part of the Local Government Pension Scheme (LGPS) which is a funded, defined benefit pension arrangement for local authorities and related employers. Prior to local government reorganisation on 1 April 2023, the scheme was administered by Cumbria County Council (the Administration Authority). From 1 April 2023 responsibility for scheme administration passed to Westmorland and Furness Council.

The LGPS is a statutory scheme operated under a regulatory framework established under the Superannuation Act 1972. This framework sets out the administrative arrangements and processes for the Scheme, specifies the nature and amounts of benefits payable and establishes the basis for calculating contributions payable to the fund by the Authority and its employees.

The Cumbria Local Government Pension Scheme is a multi-employer arrangement under which each employer is responsible for the pension costs, liabilities and funding risks relating to its own employees and former employees.

The Scheme provides defined benefits to members (retirement lump sums and pensions) determined by reference to a formula based on employees' earnings and years of service. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a "final salary" scheme) for service up to 31 March 2014 and revalued average salary (a "career average" scheme) for service from 1 April 2014 onwards.

Governance

Following local government reorganisation, governance of the Scheme is the responsibility of the Cumbria Pensions Committee. Membership of the Pensions Committee comprises eight Westmorland & Furness Councillors, three co-opted Cumberland Councillors and two employee representatives. The functions and responsibilities of the Committee include:

- carrying out - as the delegated decision-making body - the functions of Westmorland and Furness Council as the Administering Authority for the Cumbria Local Government Pension Scheme ("the Pension Fund") which includes its involvement in the Border to Coast Pension Partnership (BCPP) as the Council's approved Pension Pool
- ensuring the scheme complies with the Local Government Pension Scheme Regulations and all other relevant legislation, statutory guidance and Codes of Practices governing administration of the scheme
- set the investment objectives and policy and the strategic asset allocation in the light of the scheme's liabilities
- reviewing and approving new statutory strategies or policies and/or amendments to existing statutory strategy or policy documents (i.e. Funding Strategy Statement, Governance Strategy, Admissions and Terminations Policy, Administration Strategy and Communications Policy, Discretions Policy, Cash Investment Policy, Investment Strategy Statement)
- monitoring the performance and effectiveness of the investment pooling operator

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- appointing, dismissing and assessing the performance of investment managers in accordance with the Fund's Investment Strategy, where direct investments are maintained
- considering recommendations from the Cumbria Local Pensions Board, the Pensions Investment Subgroup and the Border to Coast Pensions Partnership Ltd (BCPP) Joint Committee
- approving the formal triennial actuarial valuation
- submitting the Cumbria Pension Fund Statement of Accounts to the Audit Committee and to approve the Cumbria Pension Fund Annual Report
- updating the Council on the governance, risk monitoring and performance of the Scheme
- receiving and where necessary instructing corrective action, in response to internal and external auditor reports
- reviewing and approving the Scheme's Training Strategy
- approving the Annual Business Plan and associated Budget and reviewing performance against this during the year.

Advice is provided to the Pension Committee by Westmorland and Furness Council's Section 151 Officer, the Council's finance team and by two independent advisers. The advisers are appointed for their knowledge of investments and of pension funds; one adviser being primarily an investment specialist, the other complementing these investment skills with actuarial knowledge of the liability profile of the Scheme. Services are also provided by the scheme actuary (Mercers), external lawyers and by other consultants for advice, support and guidance as required by the Fund.

The Pensions Committee is supported by the Pensions Investment Sub-Group. Operating in an advisory role, the purpose of the Group is to assist the Committee by:

- carrying out investment asset class monitoring; i.e. monitoring investment performance and the progress of the implementation of the Cumbria Pension Fund's Investment Strategy.
- providing an update report to Pensions Committee outlining investment performance during the preceding period and escalating any matters of concern or for further consideration to the Pensions Committee.
- where appropriate, giving initial consideration to investment opportunities prior to their being considered by Pensions Committee.

The Investment Sub Group is comprised of four elected Members of the Pensions Committee (nominated by the Pensions Committee, taking into account knowledge, understanding and capacity); the two Independent Advisors to the Pensions Committee and the Chief Finance Officer (Section 151 Officer) (or deputy).

The Pensions Committee is assisted in all aspects of its functions relating to governance and administration of the scheme by the Cumbria Pensions Board ('the Board'). Constituted under the Public Service Pension Act 2013 and the Local Government Pension Scheme (Amendment) (Governance) Regulations 2014, the Board is responsible for assisting the Administering Authority to:

- secure compliance with the Local Government Pension Scheme regulations 2013 and other legislation relating to the governance and administration of the Cumbria LGPS
- comply with the requirements of the Pensions Regulator in relation to governance and administration of the Cumbria LGPS
- ensure the effective and efficient governance and administration of the scheme.

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The Board has no remit as a decision-making body.

Membership of the Cumbria Local Pension Board comprises three scheme member representative three scheme employer representatives; and one independent member (non-voting).

The governance framework and all aspects of management of the Scheme are set out in the various Scheme strategy and Policy Statements. These include:

- The Governance Strategy Statement, which sets out the roles and responsibilities and reports compliance against a set of best practice principles
- The Administration Strategy & Communications Policy, which details the formal arrangements for pensions and benefits administration for the Scheme and the communications with members, employers and pensioners
- Investment Strategy Statement, detailing how the Scheme's assets are invested, the fund managers and benchmarks and the Scheme's compliance with best practice in investment decision-making (Myners Principles) and the Financial Reporting Council's UK Stewardship Code
- Responsible Investment Policy - details how the Scheme takes its shareholder / investor responsibility seriously and how it is involved from an engagement and influence perspective on the wider ESG (Environmental, Social and Governance) agenda.
- Cash Investment Policy, governing management of the Scheme's cash, bank account and investment of surplus cash
- Funding Strategy Statement, which identifies how the Scheme's pension liabilities will be funded in the longer term and addresses solvency issues
- Admissions and Termination Policy, detailing the policy on employer admissions and the methodology used to calculate termination payments on cessation of participation in the Scheme
- Discretions Policy, setting out the policy regarding the exercise of certain discretions to assist in the management of the Scheme
- Training Strategy, setting out the policy on the training and development of members of all committees and officers responsible for management of the Scheme
- Policy & Procedure on Reporting breaches of the law which sets out the policy and procedures to be followed by persons involved with the Cumbria LGPS in relation to reporting breaches of the law
- Internal Controls and Risk Management policy which sets out the policy approach within the Cumbria LGPS in relation to internal controls and risk management procedures that seek to protect the Fund from adverse risk
- Conflicts of Interest policy setting out the process for identifying, assessing and managing conflicts of interest in the governance and management of the Scheme.

Further details relating to governance of the Scheme (including risk management) can be found in the Scheme's Policy Documents, published on-line at:

<https://www.cumbriapensionfund.org>

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37.2 Transactions Relating to Retirement Benefits

The following transactions have been included in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Teachers' Pension Scheme	2025/26 Total £'000	Local Government Pension Scheme		Teachers' Pension Scheme	2024/25 Total £'000
	Funded £'000	Unfunded £'000	Unfunded £'000		Funded £'000	Unfunded £'000	Unfunded £'000	
Comprehensive Income and Expenditure Statement								
Service cost comprising:								
▪ current service cost	20,001	0	0	20,001	28,099	0	0	28,099
▪ past service costs (gains)	0	0	0	0	0	0	0	0
▪ (gain)/loss from curtailments	1,265	0	0	1,265	217	0	0	217
▪ settlement	133	0	0	133	0	0	0	0
▪ administration expenses	1,427	0	0	1,427	1,334	0	0	1,334
Financing and Investment Income & Expenditure								
▪ net interest expense	(22,354)	523	429	(21,402)	(10,523)	519	434	(9,570)
▪ interest on asset ceiling	21,368	0	0	21,368	9,762	0	0	9,762
Total post-employment benefits charged to the surplus or deficit on the provision of services	21,840	523	429	22,792	28,889	519	434	29,842
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement								
Remeasurement of the net defined benefit obligation comprising:								
▪ return on plan assets (excluding amount included in the net interest expense) & other (gains)/losses	(62,023)	0	0	(62,023)	34,068	0	0	34,068
▪ experience (gains)/loss on liabilities	46,719	417	746	47,882	(1,591)	(17)	(14)	(1,622)
▪ actuarial (gains) and losses arising on changes in financial assumptions	(16,966)	(48)	(37)	(17,051)	(185,731)	(593)	(360)	(186,684)
▪ actuarial (gains) and losses arising on changes in demographic assumptions	(1,807)	(4)	85	(1,726)	(3,706)	(36)	(19)	(3,761)
▪ changes in the effect of the asset ceiling	46,321	0	0	46,321	159,412	0	0	159,412
▪ business combination asset ceiling adjustment	0	0	0	0	(471)	0	0	(471)
	12,244	365	794	13,403	1,981	(646)	(393)	942
Total post-employment benefits charged to the Comprehensive Income and Expenditure Statement	34,084	888	1,223	36,195	30,870	(127)	41	30,784

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	Local Government Pension Scheme		Teachers' Pension Scheme	2025/26 Total £'000	Local Government Pension Scheme		Teachers' Pension Scheme	2024/25 Total £'000
	Funded £'000	Unfunded £'000	Unfunded £'000		Funded £'000	Unfunded £'000	Unfunded £'000	
Movement in Reserves Statement								
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(21,840)	(523)	(429)	(22,792)	(28,889)	(519)	(434)	(29,842)
Actual amount charged against the General Fund Balance for pensions in the year:								
▪ employers' contributions payable to scheme and retirement benefits payable to pensioners	34,084	1,383	1,340	36,807	30,870	1,489	1,430	33,789

37.3 Pension Assets and Liabilities Recognised in the Balance Sheet

	Local Government Pension Scheme		Teachers' Pension Scheme	2025/26 Total £'000	Local Government Pension Scheme		Teachers' Pension Scheme	2024/25 Total £'000
	Funded £'000	Unfunded £'000	Unfunded £'000		Funded £'000	Unfunded £'000	Unfunded £'000	
Present value of the defined benefit obligation	(1,215,837)	(9,226)	(8,074)	(1,233,137)	(1,141,419)	(9,721)	(8,191)	(1,159,331)
Fair value of plan assets	1,651,932	0	0	1,651,932	1,509,825	0	0	1,509,825
	436,095	(9,226)	(8,074)	418,795	368,406	(9,721)	(8,191)	350,494
Asset Ceiling adjustment (Remeasurement) ¹	(436,095)	0	0	(436,095)	(368,406)	0	0	(368,406)
Net liability arising from the defined benefit obligation	0	(9,226)	(8,074)	(17,300)	0	(9,721)	(8,191)	(17,912)

¹ Measurement of a net defined benefit asset is limited to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As there is no unconditional right to a refund, available economic benefits have been assessed with reference to reductions in future contributions and future service costs, in accordance with IFRIC 14. At 31 March 2026 and 31 March 2025 the estimated present value of minimum funding contributions in respect of funded liabilities exceed the estimated present value of future service costs. Therefore, there is deemed to be no economic benefit and the asset ceiling is calculated as £nil. The adjustment to the defined benefit plan asset as a result of applying the asset ceiling test is reported as part of the remeasurement of the net defined benefit pension liability/asset appearing in the Other Comprehensive Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

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37.4 Reconciliation of the Movements in the Fair Value of the Scheme Assets

	Local Government Pension Scheme		Teachers' Pension Scheme	2025/26 Total £'000	Local Government Pension Scheme		Teachers' Pension Scheme	2024/25 Total £'000
	Funded £'000	Unfunded £'000	Unfunded £'000		Funded £'000	Unfunded £'000	Unfunded £'000	
Opening fair value of scheme assets	1,509,825	0	0	1,509,825	1,486,352	0	0	1,486,352
Interest income	87,404	0	0	87,404	72,478	0	0	72,478
Remeasurement gain/(loss):								
Return on plan assets (excluding the amount included in the net interest expense) & other gains/(losses)	62,023	0	0	62,023	(34,068)	0	0	(34,068)
Employer contributions	34,084	1,383	1,340	36,807	30,870	1,489	1,430	33,789
Contributions by scheme participants	11,513	0	0	11,513	10,731	0	0	10,731
Benefits/transfers paid	(51,287)	(1,383)	(1,340)	(54,010)	(56,723)	(1,489)	(1,430)	(59,642)
Administration expenses	(1,427)	0	0	(1,427)	(1,334)	0	0	(1,334)
Settlements	(203)	0	0	(203)				
Business combinations	0	0	0	0	1,519	0	0	1,519
Closing balance at 31 March	1,651,932	0	0	1,651,932	1,509,825	0	0	1,509,825

37.5 Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme		Teachers' Pension Scheme	2025/26 Total £'000	Local Government Pension Scheme		Teachers' Pension Scheme	2024/25 Total £'000
	Funded £'000	Unfunded £'000	Unfunded £'000		Funded £'000	Unfunded £'000	Unfunded £'000	
Opening balance at 1 April	(1,141,419)	(9,721)	(8,191)	(1,159,331)	(1,287,120)	(11,337)	(9,850)	(1,308,037)
Current Service Cost	(20,001)	0	0	(20,001)	(28,099)	0	0	(28,099)
Interest Cost	(65,050)	(523)	(429)	(66,002)	(61,955)	(519)	(434)	(62,908)
Contributions by scheme participants	(11,513)	0	0	(11,513)	(10,731)	0	0	(10,731)
Remeasurement gains and losses:								
• experience gains/(losses)	(46,719)	(417)	(746)	(47,882)	1,591	17	14	1,622
• actuarial gains & (losses) arising on changes in financial assumptions	16,966	48	37	17,051	185,731	593	360	186,684
• actuarial gains & (losses) arising on changes in demographic assumptions	1,807	4	(85)	1,726	3,706	36	19	3,761
(Gains)/losses on Curtailments	(1,265)	0	0	(1,265)	(217)	0	0	(217)
Settlements	70	0	0	70				
Benefits Paid	51,287	1,383	1,340	54,010	56,723	1,489	1,430	59,642
Business combinations	0	0	0	0	(1,048)	0	0	(1,048)
Closing balance at 31 March	(1,215,837)	(9,226)	(8,074)	(1,233,137)	(1,141,419)	(9,721)	(8,191)	(1,159,331)

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37.6 Composition of Local Government pension scheme assets

Asset Class	Fair value at 31 March 2026 £'000	Fair value at 31 March 2025 £'000
Cash & cash equivalents		
Quoted cash accounts	69,216	22,647
Net current assets	1,652	0
Sub-total: Cash & cash equivalents	70,868	22,647
Equities		
Quoted global equity pooled	366,729	365,377
Quoted UK equity pooled	35,186	28,687
Quoted overseas equity pooled	166,350	128,335
Sub-total: Equities	568,265	522,399
Bonds		
Unquoted UK government indexed pooled	245,147	218,924
Sub-total: Bonds	245,147	218,924
Property		
UK property	1,322	1,510
Unquoted property funds	118,278	116,257
Sub-total: Property	119,600	117,767
Alternatives (Unquoted)		
Private equity funds	156,108	149,473
Infrastructure funds	265,465	235,533
Private debt fund	138,597	122,296
Healthcare royalties	13,215	21,138
Multi-asset credit	74,667	99,648
Sub-total: Alternatives	648,052	628,088
Total	1,651,932	1,509,825

37.7 Actuarial Assumptions used to determine the Present Value of the Scheme Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method - an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Funded and unfunded liabilities have been assessed by Mercers Human Resource Consulting Limited, an independent firm of actuaries, using estimates based on the latest full valuation of the scheme at 31 March 2025 (2024-25: 31 March 2022).

The significant actuarial assumptions used to determine the present value of the defined benefit obligation are set out in the following tables:

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37.7a Local Government Pension Scheme

	2025/26		2024/25	
	Beginning of period	End of period	Beginning of period	End of period
Post retirement mortality assumptions				
Life expectancy at 65 for current pensioners:				
- Male	21.5 yrs	21.4yrs	21.5 yrs	21.5 yrs
- Female	24.0 yrs	24.1yrs	23.9 yrs	24.0 yrs
Life expectancy for future pensioners ages 65 in 20 years' time:				
- Male	22.8 yrs	22.7yrs	22.8 yrs	22.8 yrs
- Female	25.7 yrs	25.6yrs	25.7 yrs	25.7 yrs
Financial assumptions				
Rate of CPI inflation	2.6%	2.9%	2.7%	2.6%
Rate of increase in salaries	4.1%	4.4%	4.2%	4.1%
Rate of increase in pensions	2.7%	3.0%	2.8%	2.7%
Rate for discounting scheme liabilities	5.8%	6.2%	4.9%	5.8%

37.7b Teachers' Pension Scheme

	2025/26		2024/25	
	Beginning of period	End of period	Beginning of period	End of period
Post retirement mortality assumptions				
Life expectancy for current pensioner aged 65:				
- Male	21.5 yrs	21.4yrs	21.5 yrs	21.5 yrs
- Female	24.0 yrs	24.1yrs	23.9 yrs	24.0 yrs
Life expectancy for current pensioner aged 75:				
- Male	13.0 yrs	13.0 yrs	13.1 yrs	13.0 yrs
- Female	14.9 yrs	15.1 yrs	15.0 yrs	14.9 yrs
Financial assumptions				
Rate of CPI inflation	2.7%	2.9%	2.7%	2.7%
Rate of increase in pensions	2.8%	3.0%	2.8%	2.8%
Rate for discounting scheme liabilities	5.7%	6.0%	4.9%	5.7%

37.8 Sensitivity Analysis

The estimated defined benefit obligation is sensitive to changes in the actuarial assumptions set out in the preceding table. The sensitivity analysis below shows how the defined benefit obligation would have been affected by reasonably possible changes in the actuarial assumptions at the balance sheet date. The impact of the change in each assumption assumes that all other assumptions remain constant. The estimations in the sensitivity analysis are calculated on an actuarial basis using the projected unit credit method.

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37.8a Local Government Pension Scheme

At 31 March 2026	Sensitivity analysis				
	Liabilities	Assets	(Deficit)/ Surplus	Projected Service Cost for next year	Projected Net Interest Cost for next year
	£'000	£'000	£'000	£'000	£'000
Central	(1,225,063)	1,651,932	426,869	19,318	(26,990)
+0.5% p.a. discount rate	(1,146,637)	1,651,932	505,295	16,340	(34,421)
+0.25% p.a. inflation	(1,266,265)	1,651,932	385,667	20,497	(24,392)
+0.25 p.a. pay growth	(1,229,786)	1,651,932	422,146	19,318	(26,654)
1 year increase in life expectancy	(1,250,178)	1,651,932	401,754	19,812	(25,390)
+1% change in 2025-26 investment returns	(1,225,063)	1,668,423	443,360	19,318	(28,012)
-1% change in 2025-26 investment returns	(1,226,063)	1,635,441	409,378	19,318	(25,967)

At 31 March 2025	Sensitivity analysis				
	Liabilities	Assets	(Deficit)/ Surplus	Projected Service Cost for next year	Projected Net Interest Cost for next year
	£'000	£'000	£'000	£'000	£'000
Central	(1,151,140)	1,509,825	358,685	20,498	(21,731)
+0.5% p.a. discount rate	(1,073,156)	1,509,825	436,669	17,464	(28,517)
+0.25% p.a. inflation	(1,192,236)	1,509,825	317,589	22,159	(19,304)
+0.25 p.a. pay growth	(1,157,903)	1,509,825	351,922	20,498	(21,296)
1 year increase in life expectancy	(1,174,631)	1,509,825	335,194	21,010	(20,325)
+1% change in 2024-25 investment returns	(1,151,140)	1,524,848	373,708	20,498	(22,602)
-1% change in 2024-25 investment returns	(1,151,140)	1,494,802	343,662	20,498	(20,860)

37.8b Teachers' Pension Scheme

At 31 March 2026	Sensitivity analysis			
	Liabilities	Assets	(Deficit)/ Surplus	Projected Interest cost for next year
	£'000	£'000	£'000	£'000
Central	(8,074)	0	(8,074)	444
+0.5% p.a. discount rate	(7,890)	0	(7,890)	469
+0.25% p.a. inflation	(8,169)	0	(8,169)	450
1 year increase in life expectancy	(8,496)	0	(8,496)	470

At 31 March 2025	Sensitivity analysis			
	Liabilities	Assets	(Deficit)/ Surplus	Projected interest cost for next year
	£'000	£'000	£'000	£'000
Central	(8,191)	0	(8,181)	426
+0.5% p.a. discount rate	(7,973)	0	(7,973)	450
+0.25% p.a. inflation	(8,303)	0	(8,303)	432
1 year increase in life expectancy	(8,596)	0	(8,596)	449

37.9 Risks and Investment strategy

The principal risks to the Authority of the Scheme are those associated with longevity (life expectancy) assumptions, structural changes (i.e. large-scale withdrawals from the scheme), changes to inflation and financial risks associated with the Scheme's investment activities.

The Scheme's primary long-term risk is that scheme assets will fall short of its liabilities (i.e. promised benefits payable to members). The scheme has adopted a prudent, risk aware investment strategy, which is kept continually under review through an annual evaluation of the Funding Strategy. The aim of the Scheme's investment risk management approach is to balance the minimisation of the risk of an overall reduction in the value of the Scheme with maximising the opportunity for gains across the whole Scheme portfolio. The Scheme achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and keep credit risk to an acceptable level. In addition, the Scheme manages its liquidity risk to ensure there is sufficient liquidity to meet forecast cash flows.

The Scheme currently holds assets across a range of products and investment (fund) managers to diversify risk. Allocations to both fund managers and asset classes are reviewed on an ongoing basis by the Scheme's Officers and Independent Advisors. The Pensions Committee additionally undertake further oversight and monitoring through quarterly review of the Scheme monitoring report. Strategic asset allocation receives a high level of attention and a full strategy review is undertaken every three years following the Actuarial Valuation.

The Actuarial Valuation considers longevity risk and the affordability of contribution rates for the Authority and the other employers of the Scheme, taking a prudent longer-term view of funding the liabilities.

Details of the Scheme's Investment Strategy and how it manages risk and return issues relative to the Scheme's investment objectives, are outlined in the Scheme's Investment Strategy Statement. The Investment Strategy is kept under continual review in conjunction with evaluation of the Scheme's Funding Strategy Statement. The Funding Strategy Statement sets out how solvency and other risks will be managed with regard to the Scheme's underlying pension liabilities. Its purpose is to:

- establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities
- support the regulatory requirement for contributions rates to be set at a level sufficient to secure the scheme's solvency and long-term cost efficiency
- have regard to the desirability of employer contribution rates remaining as stable as possible. This is the context of the Fund's aim to maintain as stable a rate of overall employer contributions (i.e. both primary and secondary employer contributions) as is possible whilst securing the solvency of the Fund and its long-term cost efficiency

In setting and reviewing the Investment Strategy, the Administering Authority is required to take account of the form and structure of liabilities. Further details of the Scheme's exposure to financial risks in relation to investing activities and the strategies used to manage those risks are outlined below.

Market Risk

Market value risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Scheme is exposed to the risk of financial loss from a change in the value of its investments. This may result in the Scheme's assets failing to deliver the returns required to match the underlying liabilities of the Scheme over the longer term. To mitigate market value risk, the scheme has set restrictions on the type of investment it can hold. These restrictions are subject to investment limits, in accordance with

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the LGPS (Management and Investment of Funds) Regulations 2016. Details can be found in the Fund's Investment Strategy Statement (ISS). The Scheme has also adopted benchmark limits on the different types of investments (asset classes) held. The weightings ascribed to the various asset classes form the basis for asset allocation within the scheme. This allocation is designed to diversify the risk and minimise the impact of poor performance in a particular asset class by achieving a spread of investments across both the main asset classes and geographic/political regions within each asset class. Mitigation against market risk is also achieved by diversifying across multiple investment managers and by regularly reviewing the Investment Strategy and performance of the Scheme.

Market risk comprises three types of risk: interest rate risk, currency risk and other price risk (that is risks, other than those arising from interest rate risk or currency risk, caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market).

Interest Rate Risk: The Scheme invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risks that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

Currency risk: The Scheme holds a range of financial assets and liabilities in overseas financial markets and is therefore exposed to the risk of loss arising from exchange rate movements of foreign currencies. The Scheme seeks to mitigate losses due to adverse movements in foreign currency exchange rates by investing in a diversified portfolio of assets, using active management, maintaining an unhedged listed equity exposure (to provide protection during extreme markets movement) and hedging other lower-risk assets back to sterling where practical and possible.

Credit/Counterparty risk: Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into and cause the Scheme to incur financial loss. The Scheme seeks to mitigate this risk through the selection of high-quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. The creditworthiness of all counterparties and the scheme's exposure to credit and counterparty risk is reviewed on a regular basis.

Liquidity risks: Liquidity risk represents the risk that the Scheme will not be able to meet its financial obligations as they fall due. To mitigate this risk the Fund undertakes (shorter-term) cashflow planning, monitoring and management throughout the year and works closely with the Fund's investment advisors and actuary to consider the schemes cashflow projections over the medium and longer-term planning horizons.

Other risks

Actions taken by the Government, or changes to legislation, could result in stronger local funding standards, which could materially affect the Authority's cash flow.

In addition, there is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation and/or the liabilities for actuarial valuation purposes. The sensitivity of the estimated defined benefit obligation to changes in the actuarial assumptions is set out in note 37.8. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material.

37.10 Impact on the Authority's Cash Flows

Funding the liabilities

Regulations governing the scheme require actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require contributions to be set with a view to targeting the

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Scheme's solvency. Detailed provisions are set out in the Scheme's Funding Strategy Statement.

The most recent actuarial valuation was carried out as at 31 March 2025. This showed an excess of assets over liabilities of £0.672 billion (assets of £3.476 billion against accrued liabilities of £2.804 billion), equivalent to a solvency funding level of 124% of the Scheme's liabilities. At the previous valuation (31 March 2022) the excess of assets over liabilities was £0.309 billion (assets of £3.318 billion against accrued liabilities of £3.009 billion), equivalent to a solvency funding level of 110% of the Scheme's liabilities. Key reasons for the changes between the two valuations include the impact of changes to the discount rate and updated life expectancy assumptions less the level investment returns achieved and CPI pension increases compared to 2022 assumptions.

Projected contributions to the scheme in 2026-27 – Local Government Pension Scheme

Projected employer contributions which the Authority expects to pay in 2026-27 is £16.896m (2025-26: £31.965m). This comprises normal contributions of £15.813m (2025-26: £30.476m £), and a recharge of unfunded benefits of £1.383m (2025-26: £1.489m).

The weighted average duration of the Authority's defined benefit obligation, measured on the actuarial assumptions used for IAS19 purposes, is 14 years (2023-24: 18 years).

Projected contributions to the scheme in 2026-27– Teachers' Pensions Scheme

Projected employer contributions which the Authority expects to pay in 2026-27 is £1.389m (2025-26: £1.430m).

At 31 March 2026, the weighted average duration of the Authority's defined benefit obligation, measured on the actuarial assumptions used for IAS19 purposes, is 5 years (31 March 2025: 5 years).

38. Financial Instruments

38.1 Financial Instruments by category

The carrying amounts of financial assets presented in the Balance Sheet relate to the following measurement categories as defined in IFRS 9 and the Code of Practice on Local Authority Accounting. The accounting policies set out in section 5 provide a description of each category of financial assets and financial liabilities and the related accounting policies.

Financial Assets

	Note	Amortised cost £'000	Fair value through profit or loss £'000	Non IFRS 9 financial assets £'000	Total for line item £'000
At 31 March 2026					
Long-term investments	24	0	3,176	1,592	4,768
Long-term debtors	-	424	0	0	424
Short-term investments	24	0	0	0	0
Short-term debtors	25	71,326	0	40,233	111,559
Cash & cash equivalents	27	61,634	64,207	0	125,841
Total for category		133,384	67,383	41,825	242,592

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	Note	Amortised cost £'000	Fair value through profit or loss £'000	Non IFRS 9 financial assets £'000	Total for line item £'000
At 31 March 2025					
Long-term investments	24	0	3,176	1,592	4,768
Long-term debtors	-	544	0	0	544
Short-term investments	24	0	0	0	0
Short-term debtors	25	107,491	0	63,338	170,829
Cash & cash equivalents	27	41,043	45,443	0	86,486
Total for category		149,078	48,619	64,930	262,627

Financial Liabilities

	Note	Measured at amortised cost £'000	Non IFRS 9 lease & service concession liabilities £'000	Other Non IFRS 9 financial liabilities £'000	Total for line item £'000
At 31 March 2026					
Bank overdraft	27	(8,516)	0	0	(8,516)
Short-term borrowing	28	(49,477)	0	0	(49,477)
Short-term creditors	29	(94,080)	(6,019)	(24,289)	(124,388)
Long-term borrowing	28	(235,488)	0	0	(235,488)
Long-term creditors	33	0	(102,314)	0	(102,314)
Total for category		(387,561)	(108,333)	(24,289)	(520,183)

	Note	Measured at amortised cost £'000	Non IFRS 9 lease & service concession liabilities £'000	Other Non IFRS 9 financial liabilities £'000	Total for line item £'000
At 31 March 2025					
Bank overdraft	27	(1,663)	0	0	(1,663)
Short-term borrowing	28	(3,948)	0	0	(3,948)
Short-term creditors	29	(100,592)	(5,984)	(37,642)	(144,218)
Long-term borrowing	28	(281,719)	0	0	(281,719)
Long-term creditors	33	0	(108,526)	0	(108,526)
Total for category		(387,922)	(114,510)	(37,642)	(540,074)

Information about the fair value at each class of financial instruments is given in notes 38.5 and 38.6.

38.2 Material Soft Loans made by the Authority

The Authority does not have any material soft loans.

38.3 Reclassification of financial assets

There has been no reclassification of financial assets during 2025-26 (2024-25: nil).

38.4 Defaults and breaches

There have been no defaults of loans payable as at 31 March 2026 (31 March 2025: nil)

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38.5 Fair value of financial assets and financial liabilities measured at fair value on a recurring basis

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following table shows the levels within the fair value hierarchy of financial assets measured at fair value on a recurring basis:

Financial assets carried at fair value	Note	Level	31 March 2026 £'000	31 March 2025 £'000
Money Market Funds (AAA rated)	27	1	64,207	45,443
CCLA - Local Authorities Property Investment Fund		2	3,163	3,163
Unquoted Equity Investments (shares)	24	2	13	13
Secured loan notes - AIP LLP	24	3	0	0

Money Market Funds - level 1

The Authority's investments in money market funds are held in low volatility net asset value funds. The (quoted) fair value of these funds is represented by the par value of principal sums invested plus interest (dividends) earned but not yet received.

The valuation techniques used for instruments categorised in levels 2 and 3 are described below.

CCLA - Local Authorities Property Investment Fund – level 2

The fair value of units held in the CCLA Local Authorities Property Investment Fund is measured using a mid-market price (net asset value per unit) within the bid-ask spread.

Unquoted equity investments - level 2

The fair value of the Authority' investment in WCF Limited is measured according to the share price published by the company; being the price at which sales and purchases will be transacted on specified dealing dates set by the company.

Cumberland Investment Partnership LLP - secured investor loan notes 2034 – level 3

The fair value of the Authority's holding of Cumberland Investment Partnership LLP secured loan notes is estimated by calculating the present value of the cash flows expected to take place over the remaining term of the loan. Cash flows relating to principal and interest are discounted using a benchmark interest rate (PWL new loan rate) in force at close of business on the last working day of the financial year, for loans with a similar repayment period. This rate is then adjusted for the credit spread, calculated by reference to the instruments coupon rate and the benchmark rate at the origination date.

At 31 March 2026, the fair value estimate has been calculated by discounting the expected cash flows over an expected term of between 2 and 3 years at a discount rate of 13%.

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between levels during the year.

Changes in the Valuation Technique

There has been no change in the valuation techniques used during the year for the financial instruments.

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Reconciliation of fair value measurements categorised within level 3 of the fair value hierarchy

The following table provides a reconciliation of the opening balances to the closing carrying amounts of non-financial assets classified within Level 3.

	CIP LLP loan notes	
	2025/26	2024/25
	£'000	£'000
Carrying amount at 1 April	0	0
Gains or (Losses) recognised in the Surplus or Deficit on the Provision of Services ¹	0	0
Additions	0	0
Disposals	0	0
Carrying amount at 31 March	0	0

¹ recognised in the Financing and Investment Income and Expenditure line item in the Comprehensive Income & Expenditure Statement

38.6 Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

The carrying amount of the following financial assets and liabilities is considered a reasonable approximation of fair value:

- Trade and other receivables, cash and cash equivalents, trade and other payables and bank overdrafts
- Short-term investments
- Other short-term borrowing maturing within 12 months of the balance sheet date.
- Long-term debtors.

For those financial assets and liabilities whose carrying value does not approximate fair value, the following table presents a comparison, by class, of the carrying amounts and fair value.

	Carrying Value £'000	Fair value			
		Level 1 £'000	Level 2 £'000	Level 3 £'000	At 31 March 2026 £'000
Financial Assets	-	-	-	-	-
Financial Liabilities					
PWLB Loans	(268,428)	-	-	(202,233)	(202,233)
LOBO Loans	(16,439)	-	-	(14,768)	(14,768)
At 31 March 2026	(284,867)	0	0	(217,001)	(217,001)

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	Carrying Value £'000	Fair value			
		Level 1 £'000	Level 2 £'000	Level 3 £'000	At 31 March 2025 £'000
Financial Assets	-	-	-	-	-
Financial Liabilities					
PWLB Loans	(269,121)	-	-	(207,234)	(207,234)
LOBO Loans	(16,448)	-	-	(15,184)	(15,184)
At 31 March 2025	(285,569)	0	0	(222,418)	(222,418)

The fair value of financial asset and liabilities not measured at fair value and included in levels 2 and 3 in the above table, have been estimated using a discounted cash flow analysis.

PWLB Debt

The fair value of PWLB loans is measured by calculating the present value of the cash flows relating to principal and interest that will take place over the remaining term of each loan. Cash flows are discounted using a representative interest rate that a market participant would consider indicative of economic conditions at the measurement date. The interest rates used are derived from UK gilt prices and PWLB new loan rates in force at close of business on the last working day of the financial year. These rates are adjusted to reflect market participant's assumptions of the Authority's own non-performance risk by using the estimated credit spread between gilt yields and PWLB new loans rates and yields on AA rated loans with similar repayment terms.

The fair value measurement of financial liabilities, including PWLB debt, assumes that the financial liability is transferred to a market participant at the measurement date and would:

- remain outstanding with the market participant transferee required to fulfil the obligation
- not be settled with the counterparty or otherwise extinguished on the measurement date.

When a quoted price for the transfer of an identical or a similar liability is not available and the identical item is held by another party as an asset, the fair value of the liability is measured from the perspective of a market participant that holds the identical item as an asset at the measurement date.

The fair value of PWLB debt of £202.233m (31.3.25: £207.234m) does not represent the amount at which the Authority could settle, prematurely, its outstanding loans with the PWLB. At the balance sheet date, the amount payable by the Authority to repay its PWLB debt prematurely - measured using PWLB premature repayment rates was £223.088m (31.3.25: £230.706m).

Lender Option Borrower Option (LOBO) Debt

The fair value of the LOBO debt is calculated by discounting the contractual cash flows using a discount rate derived from UK gilt prices and PWLB new loan rates in force at close of business on the last working day of the financial year. These rates are adjusted to reflect market participant's assumptions of the Authority's own non-performance risk by using the estimated credit spread between gilt yields and PWLB new loans rates and yields on AA rated loans with similar repayment terms.

39. Nature and extent of risks arising from financial instruments

39.1 Risk management objectives and policies

The Authority is exposed to various (financial) risks in relation to financial instruments. The main types of risks are:

- **Credit risk** - the risk that a party to a financial instrument will cause a financial loss for the Authority by failing to discharge an obligation
- **Liquidity risk** - the risk that the Authority will encounter difficulty in meeting obligations associated with financial liabilities as they fall due. It includes the inability to obtain finance or to re-finance existing borrowing as it falls due in order to meet cash flow obligations, or that refinancing can only be achieved on terms that are unfavourable and/or inconsistent with prevailing market conditions at the time
- **Market risk** - the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:
 - (i) **Interest rate risk** - the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates
 - (ii) **Currency risk** - the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates
 - (iii) **Price risk** - the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Authority has adopted the CIPFA Code of Practice for Treasury Management in Public Services and regards the successful identification, monitoring and control of risk as the prime criteria for measuring the effectiveness of its treasury management activities.

Objectives, policies and processes for managing the risk, including details of how risks are identified, monitored and controlled are set out in the Authority's Treasury Management Policy Statement, Treasury Management Practices (TMPs) and Annual Treasury Management Strategy Statement and Investment Strategy. These have been prepared in accordance with the CIPFA Code of Practice for Treasury Management in Public Services Ministry of Housing, Communities & Local Government (MHCLG) Investment Guidance.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under delegated authorities and policies approved by the Council and set out in the Authority's Treasury Management Policy Statement, Treasury Management Practices and Annual Treasury Management Strategy Statement and Investment Strategy.

Regular reports on the Authority's treasury management policies, practices and activities are prepared for consideration by members. This includes consideration by Full Council of the Authority's Annual Treasury Management Strategy Statement and Investment Strategy in advance of the year, a mid-year review and an annual report after the year-end on the performance of the treasury management function, the effects of the decisions taken and transactions executed in the past year and any circumstances of non-compliance with the Authority's Treasury Management Policy Statement and TMPs.

The most significant financial risks to which the Authority is exposed and the policies and strategies employed to manage these risks are described below.

39.2 Credit Risk

Risk Management

Credit risk arises from deposits and investments with banks and other financial institutions, as well as credit exposures associated with trade and other receivables.

The Authority's primary policy objective is to ensure the security of the principal sums invested in priority to liquidity and yield. Credit risk exposures are managed by:

- restricting the counterparties with whom investments may be placed to those financial institutions and other bodies with a minimum rating across all three of the main credit ratings agencies (Fitch, Moody's and Standard & Poor's) of A- (or equivalent) - long-term, and A-1 (or equivalent) - short-term. For Money Market Funds the minimum credit rating is AAmmf
- placing restrictions on the types of investment instruments that may be used
- setting limits on the principal amounts invested and duration of individual instruments dependent on the financial standing (creditworthiness) of the counterparty.

The creditworthiness of counterparties is assessed primarily by reference to published credit ratings. The assessment also includes reference to other sources of information on credit risk including credit default swaps, sovereign ratings and support mechanisms and market sentiment towards counterparties.

Credit ratings are kept under regular review and ratings watch notices - indicating imminent downgrading or upgrading of a credit rating - acted upon.

With the exception of funds placed with HM Treasury's Debt Management Office, the maximum amount that may be placed with any institution or group of institutions that are part of the same banking group is between £10m and £25m depending on the credit score assigned using the creditworthiness service provided by the Authority's treasury advisors. All new investments are subject to a maximum maturity of 365 days.

The Authority's Treasury Management Practices and Annual Investment Strategy specify the types of investment instruments that may be used by the Authority. Permitted instruments are categorised as either "Specified" or "Non-Specified" investments as defined in MHCLG's Investment Guidance to distinguish those instruments offering relatively high security and high liquidity from those with higher credit risk.

The Authority continuously monitors defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls.

39.3 Impairment of financial assets

The Authority recognises an allowance for expected credited losses on financial assets measured at amortised cost, debt instruments measured at FVOCI, lease receivables, trade receivables and contract assets, as well as on certain financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments.

Trade Receivables

For trade receivables and contract assets, the Authority applies a simplified approach permitted under IFRS 9 and recognises a loss allowance equal to lifetime expected credit losses. The expected credit losses on these financial assets are estimated using a provision matrix based on historical credit loss experience, adjusted for factors that are specific to individual debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date. A loss allowance for expected credit losses is not recognised on a financial asset where the counterparty is central government or a local authority for which relevant statutory provisions prevent default.

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In measuring the expected credit losses, significant trade receivable balances are assessed individually for impairment where specific information regarding recoverability of the debt is available. Trade receivables not assessed individually are assessed on a collective basis based on shared risk characteristics and days past due.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

On the above basis, the expected loss allowance at 31 March 2026 for trade and other receivables is as follows:

At 31 March 2026	Total¹	Not past due (0 - 30 days)	31 - 60 days	61 -90 days	Over 90 days
Past due status	£'000	£'000	£'000	£'000	£'000
Debtors individually assessed	0	0	0	0	0
Expected credit loss (individually assessed)	0	0	0	0	0
Debtors collectively assessed	30,477	24,745	1,329	344	4,059
Loss rate	-	2%	5%	5%	69%
Expected credit loss (collectively assessed)	(3,401)	(534)	(60)	(16)	(2,791)
Total Lifetime Expected credit losses	(3,401)	(534)	(60)	(16)	(2,791)

At 31 March 2025	Total¹	Not past due (0 - 30 days)	31 - 60 days	61 -90 days	Over 90 days
Past due status	£'000	£'000	£'000	£'000	£'000
Debtors individually assessed	2,638	1,255	59	0	1,324
Expected credit loss (individually assessed)	(1,002)	0	0	0	(1,002)
Debtors collectively assessed	14,161	8,318	1,197	625	4,022
Loss rate	-	2%	4%	4%	65%
Expected credit loss (collectively assessed)	(2,856)	(166)	(48)	(25)	(2,617)
Total Lifetime Expected credit losses	(3,859)	(166)	(48)	(25)	(93,619)

¹ Excluding public sector debts for which relevant statutory provisions prevent default

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The closing balance of the trade receivables loss allowance at 31 March 2026 reconciles with the trade receivables loss allowance opening balance as follows:

	2025/26 £'000	2024/25 £'000
Opening loss allowance as at 1 April (IFRS 9)	(3,859)	(3,736)
Loss allowance recognised during the year	458	(123)
Receivables written off during the year	0	0
Loss allowance unused and reversed during the year	0	0
Loss allowance as at 31 March	(3,401)	(3,859)

The Authority also has debtor balances of £17.616m (31 March 2025: £14.749m) in respect of residential and non-residential care charges owed by individuals, £223k of which classified as long-term (31 March 2025: £310k). This includes debt subject to deferred payment agreements and secured by a charge on property. At 31 March 2026 the expected credit loss in respect of this debt was £3.489m (31 March 2025: £2.760m).

Deposits and investments with banks and other financial institutions measured at amortised cost

All short-term investments with banks and other financial institutions (including those classified as cash and cash equivalents), are considered to have low credit risk given their high external credit ratings and the strong capacity of the investment counterparties to meet their contractual cash flow obligations. As such, the Authority assumes the credit risk on these financial instruments has not increased significantly since initial recognition (as permitted by IFRS 9) and recognises 12-month ECLs for these assets. The Authority considers a financial instrument to have a low credit risk where it has an external investment grade credit rating of not lower than of BBB- or equivalent. At 31 March, investments held by the Authority with banks and other financial institutions classified as cash and cash equivalents and measured at amortised cost comprise:

	Credit rating	31 March 2026 £'000	31 March 2025 £'000
Call / Notice accounts	AA	21,356	14,172
Call / Notice accounts	A	28,827	14,780
Current account	A	405	0
Current account – schools	A	6,838	0
Current account – schools	Not rated	3,963	3,857
		61,389	40,605
Other bank deposits	A	216	213
		61,605	40,818

Historic default rate data from the three main credit rating agencies, Fitch, Moody's and Standard & Poor's, shows the (twelve month) probability of default for assets rated A/AA at between 0.02% and 0.05%. The 12-month expected credit loss on these assets at 31 March 2026 and 31 March 2025 is therefore not material.

Other receivables measured at amortised cost (long-term debtors)

For long-term debtor balances, recognition of 12-month expected credit losses or lifetime expected credit losses is dependent on whether there has been a significant increase in credit risk of these items since initial recognition.

At 31 March 2026, the gross carrying amount of long-term debtors measured at amortised cost is £482k (31 March 2025 £602k) and the net carrying amount £424k (31 March 2025: £544k).

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The closing balance of the loss allowance for other receivables at 31 March 2026 reconciles with the other receivables loss allowance opening balance as follows:

	2025/26 £'000	2024/25 £'000
Opening loss allowance as at 1 April	(58)	(58)
Loss allowance recognised during the year (lifetime ECLs)	0	0
Receivables written off during the year	0	0
Loss allowance unused and reversed during the year	0	0
Loss allowance as at 31 March	(58)	(58)

39.4 Maximum exposure to credit risk at the reporting date

For debt instruments measured at fair value, the Authority's maximum exposure to credit risk at the balance sheet date is represented by the carrying amount of its financial assets.

The Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and investments with banks, and other financial institutions.

Financial guarantees

The maximum exposure to credit risk in respect of financial guarantees is the maximum amount the Authority could have to pay if the guarantee is called on.

Prior to local government reorganisation Allerdale Borough Council and Carlisle City Council entered into an arrangement to guarantee loan stock issued by Home Housing Association. In accordance with transitional provisions contained in the Code, this guarantee is recognised and measured in accordance with section 8.2 of the Code - Provisions, Contingent Liabilities and Contingent Assets (IAS 37) rather than Chapter 7 - Financial Instruments (IFRS 9). Further details, including the maximum exposure to credit losses in respect of this guarantee, are set out in note 47.

39.5 Collateral and Other Credit Enhancements

The Allerdale Investment Partnership Secured Investor Loan Notes are secured by a fixed and floating charge over the assets of the Partnership.

With the exception of social care deferred payment debts secured by a legal charge over the individual's property none of the Authority's other financial assets are secured by collateral or other credit enhancements.

39.6 Liquidity Risk

The Authority's policy is to ensure:

- it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives
- borrowing is negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

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The Authority manages its liquidity needs by:

- effective cash flow forecasting and monitoring of cash balances across various time horizons
- maintaining prudent levels of liquid funds in call accounts, Money Market funds and other short-term instruments
- monitoring scheduled debt servicing payments for long term financial liabilities and setting limits on the amount of borrowing that matures within any specified period.

The Authority also has ready access to borrowing from the Public Works Loans Board. As a consequence, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. This is managed through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments in order to limit the amount of fixed rate borrowing that matures within any specified period.

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39.7 Contractual maturity analysis – non-derivative financial liabilities

The contractual maturity of the Authority's financial liabilities (including interest payments where applicable) is as follows:

At 31 March 2026	PWLB £'000	LOBO loans £'000	Local Bonds & Trust Funds £'000	PFI liabilities £'000	Lease liabilities £'000	Bank overdraft £'000	Trade & Other creditors £'000	Total £'000
Maturity Structure of Borrowing:								
Under 12 months	(55,725)	(867)	(98)	(17,068)	(1,906)	(8,516)	(94,080)	(178,260)
12 months and within 24 months	(8,660)	(867)	0	(16,969)	(1,725)	0	0	(28,221)
24 months and within 5 years	(43,097)	(2,603)	0	(50,657)	(4,190)	0	0	(100,547)
5 years and within 10 years	(67,608)	(4,337)	0	(73,772)	(2,757)	0	0	(148,474)
10 years and within 20 years	(64,741)	(21,696)	0	(30,374)	(2,734)	0	0	(119,545)
20 years and within 30 years	(155,259)	0	0	0	0	0	0	(155,259)
30 years and within 40 years	(33,700)	0	0	0	0	0	0	(33,700)
40 years and within 45 years	(36,745)	0	0	0	0	0	0	(36,745)
	(465,535)	(30,370)	(98)	188,840	(13,312)	(8,516)	(94,080)	(800,751)
Effect of discounting	200,114	14,071	0	90,973	2,846	0	0	308,004
Interest accrual	(3,007)	(140)	0	0	0	0	0	(3,147)
Balance sheet carrying amount at 31 March 2026	(268,428)	(16,439)	(98)	(97,867)	(10,466)	(8,516)	(94,080)	(495,894)

The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

3: NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2025	PWLB £'000	LOBO loans £'000	Local Bonds & Trust Funds £'000	PFI liabilities (as amended) £'000	Lease liabilities £'000	Bank overdraft £'000	Trade & Other creditors £'000	Total £'000
Maturity Structure of Borrowing:								
Under 12 months	(10,710)	(867)	(98)	(16,956)	(2,640)	(1,663)	(100,592)	(133,526)
12 months and within 24 months	(55,725)	(867)	0	(16,974)	(1,962)	0	0	(75,528)
24 months and within 5 years	(35,829)	(2,603)	0	(50,278)	(4,646)	0	0	(93,356)
5 years and within 10 years	(62,418)	(4,337)	0	(81,615)	(3,577)	0	0	(151,948)
10 years and within 20 years	(79,640)	(22,563)	0	(38,930)	(3,127)	0	0	(144,260)
20 years and within 30 years	(134,103)	0	0	0	0	0	0	(134,103)
30 years and within 40 years	(44,929)	0	0	0	0	0	0	(44,929)
40 years and within 45 years	(52,892)	0	0	0	0	0	0	(52,892)
	(476,246)	(31,237)	(98)	(204,752)	(15,952)	(1,663)	(100,592)	(830,541)
Effect of discounting	209,619	14,927	0	103,324	2,871	0	0	330,741
Interest accrual	(2,494)	(138)	0	0	0	0	0	(2,632)
Balance sheet carrying amount at 31 March 2025	(269,121)	(16,448)	(98)	(101,429)	(13,081)	(1,663)	(100,592)	(502,432)

3: NOTES TO THE FINANCIAL STATEMENTS

39.8 Interest rate risk

The Authority is exposed to interest rate risk on its borrowings and investments.

Changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and will affect the General Fund Balance.

Movements in the fair value of fixed rate investments classified as fair value through profit or loss, will be reflected in in the Surplus or Deficit on the Provision of Services. Changes in the fair value of fixed rate investments classified and measured at amortised cost, do not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

Borrowings are not carried at fair value. Nominal gains and losses on fixed rate borrowings do not therefore impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The Authority's policy objective is to manage its exposure to fluctuations in interest rates with a view to containing its net interest costs or revenues in accordance with its treasury management policy and strategy. Subject to consideration of any policy or budgetary implications, this is achieved by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, whilst retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.

The Authority manages its exposures by borrowing mainly at fixed rates, by placing limits on the proportions of fixed and variable rate borrowings and investments and by the use of variable rate debt instruments to offset exposure to changes in short-term rates on investments.

At 31 March 2026 all PWLB borrowing was at fixed rates.

The terms of the Authority's two Lender Option Borrower Option (LOBO) loans provide the lender with the option to alter the interest rate charge on the semi-annual interest repayment dates within a specified three-day notice period. Where this option is exercised by the lender, the Authority has the option to repay, without penalty, the principal (and all accrued interest) on the date the interest is altered, subject to serving notice to the lender.

39.9 Price risk

The Authority holds units in the CCLA Local Authorities Property Investment Fund along with a limited number of equity shares. These instruments are classified and measured at fair value through profit or loss, meaning that all movements in price will impact on gains and losses recognised in the Surplus or Deficit on the Provision of Services.

The Authority consequently has limited exposure to losses arising from movements in the market price of these investments.

A general shift of 5% in the general price of these instruments (positive or negative) would thus have resulted in a gain or loss of approximately £159k being recognised in the Surplus or Deficit on the Provision of Services. However statutory accounting provisions currently prevent such gains or losses from impacting on the Authority's general fund.

39.10 Currency risk

The Authority has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

3: NOTES TO THE FINANCIAL STATEMENTS

40. Cash Flows from Operating Activities

40.1 Reconciliation of Net Surplus or (Deficit) on the Provision of Services to the Net Cash Flow from operating activities

	2025/26 £'000	2024/25 £'000
Net Surplus or (Deficit) on the Provision of Services	93,833	98,202
Adjust net surplus or deficit on the provision of services for non-cash movements		
Depreciation and amortisation	53,319	52,582
Impairment and downward valuations	1,564	(3,374)
Increase/(Decrease) in interest creditors	516	(255)
Increase/(Decrease) in creditors	(16,820)	3,822
(Increase)/Decrease in interest and dividend debtors	0	6
(Increase)/Decrease in debtors	51,175	(50,092)
(Increase)/Decrease in inventories	(8)	(143)
Movement in pension liability	(14,015)	(3,947)
Contributions to/(from) provisions	(3,138)	2,505
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	3,867	0
Movement in investment property values	1,517	(735)
Other non-cash items	(541)	(644)
	77,436	(215)
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
Proceeds from short-term investments, long-term investments & long-term debtors	0	0
Capital Grants credited to surplus or deficit on the provision of services	(137,793)	(147,604)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(1,555)	(52)
	(139,348)	(147,656)
Net Cash Flows from Operating Activities	31,921	(49,669)

40.2 Cash Flows from Operating Activities (Interest)

	2025/26 £'000	2024/25 £'000
Cash flows from interest receivable		
Interest and dividends receivable	(4,220)	(5,807)
Opening debtor	(282)	(326)
Closing debtor	275	282
Other non-cash movements	0	100
	(4,227)	(5,751)
Cash flows from interest payable		
Interest charge for year	24,978	23,657
Opening creditor	2,632	2,887
Closing creditor	(3,149)	(2,632)
Other non-cash movements	12	15
	24,473	23,927
Interest Paid		

3: NOTES TO THE FINANCIAL STATEMENTS

41. Cash Flows from Investing Activities

	2025/26 £'000	2024/25 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(159,513)	(158,084)
Purchase of short-term and long-term investments	0	0
Capital grants repaid	0	0
Other payments for Investing activities	(122)	(271)
Proceeds from the sale of property plant & equipment, investment property and intangible assets	1,555	52
Proceeds from redemption of short-term long-term investments		0
Capital Grants received	165,284	145,889
Other receipts from Investing Activities	250	107
Total Cash Flows from Investing Activities	7,454	(12,307)

42. Cash Flows from Financing Activities

	2025/26 £'000	2024/25 £'000
Cash receipts from short and long- term borrowing	0	45,000
Repayment of short-term and long-term borrowing	(1,206)	(15,695)
Cash payments for the reduction of the outstanding liabilities relating to leases and on-balance-sheet PFI/PPP contracts	(6,690)	(3,058)
Billing Authorities - Council Tax and NNDR adjustments	1,290	(1,792)
Agency balances - Accountable Body grants	0	(131)
Agency balances - Covid-19 grants, Council Tax Rebate & Energy Support Funding	0	(380)
Other Agency balances	(267)	265
Total Cash Flows from Financing Activities	(6,873)	24,209

3: NOTES TO THE FINANCIAL STATEMENTS

43. Reconciliation of Liabilities arising from Financing Activities

Changes in liabilities arising from financing activities are classified as follows:

	1 April 2025 £'000	Impact of adopting IFRS 16 £'000	Financing cash flows £'000	Other changes		31 March 2026 £'000
				Acquisition £'000	Other ¹ £'000	
Long-term borrowing	(281,719)	0	0	0	46,231	(235,488)
Short-term borrowing	(3,948)	0	(1,206)	0	(46,735)	(49,477)
	(285,667)	0	(1,206)	0	(504)	(284,965)
Lease liabilities	(13,081)	0	(2,638)	0	(23)	(10,466)
PFI liabilities	(101,429)	0	(4,052)	0	(490)	(97,867)
	(114,510)	0	(6,690)	0	(513)	(108,333)
Billing Authorities - Council Tax and NNDR adjustments ²	1,697	0	1,290	0	0	407
Accountable Body grants	0	0	0	0	0	0
Agency balances (inc. BID)	(9,787)	0	(267)	0	0	(9,520)
Council Tax rebate & Energy Support Funding	0	0	0	0	0	0
Total liabilities from financing activities	(408,267)	0	(6,873)	0	(1,017)	(402,411)

¹Other [non-cash] changes include the effect of reclassification of non-current portion of interest-bearing loans, the effect of loan interest accrued but not yet paid and the remeasurement of PFI and lease liabilities. The Authority classifies interest paid as cash flows from operating activities.

²Billing Authorities - Council Tax and NNDR adjustments comprise the difference between the:

- major preceptors' share of net cash collected from council tax payers and net cash paid to major preceptors as precepts and settlement of the previous year's surplus or deficit on the Collection Fund
- central government and the major preceptors' share of net cash collected from non-domestic rating debtors and net cash paid to central government and major preceptors as precepts and settlement of the previous year's surplus or deficit on the Collection Fund for NNDR income.

	1 April 2024 £'000	Impact of adopting IFRS 16 £'000	Financing cash flows £'000	Other changes		31 March 2025 £'000
				Acquisition £'000	Other ¹ £'000	
Long-term borrowing	(237,938)	0	45,000	0	1,219	(281,719)
Short-term borrowing	(18,694)	0	(15,695)	0	(949)	(3,948)
	(256,632)	0	29,305	0	270	(285,667)
Lease liabilities	(260)	(8,722)	(1,195)	(5,293)	(1)	(13,081)
PFI liabilities	(92,661)	(9,746)	(1,863)	0	(885)	(101,429)
	(92,921)	(18,648)	(3,058)	(5,293)	(886)	(114,510)
Billing Authorities - Council Tax and NNDR adjustments ²	(95)	0	(1,792)	0	0	1,697
Accountable Body grants	(131)	0	(131)	0	0	0
Agency balances	(9,522)	0	265	0	0	(9,787)
Council Tax rebate & Energy Support Funding	(380)	0	(380)	0	0	0
Total liabilities from financing activities	(359,681)	(9,746)	24,209	(5,293)	(616)	(408,267)

3: NOTES TO THE FINANCIAL STATEMENTS

44. Leases

44.1 Authority as lessee - Right-of-use assets

The Authority leases a number of properties, vehicles, plant and equipment under lease arrangements.

Right-of-use assets held by the Authority under these leases that do not meet the definition of an investment property are presented in Property Plant and Equipment. The changes in the value of those assets are set out in the following table:

2025/26	Land & buildings £'000	Vehicles, plant & equipment £'000	Total £'000
Cost or Valuation			
At 1 April 2025	10,499	9,200	19,699
Initial recognition of Right of Use (leased) assets	0	0	0
Additions – leasehold improvements	2,333	0	2,333
Remeasurement in year	23	0	23
Indexation increases/(decreases) recognised in the Revaluation Reserve	84	0	84
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,176)	0	(3,176)
Derecognition - disposals & other	0	0	0
Transfers	0	0	0
At 31 March 2026	9,763	9,200	18,963
Accumulated Depreciation & Impairment			
At 1 April 2025	(452)	(2,520)	(2,972)
Depreciation charge	(554)	(1,765)	(2,319)
Depreciation written out to the Revaluation Reserve	112	0	112
Depreciation written out to Surplus/Deficit on the Provision of Services	577	0	577
Derecognition - disposals & other	0	0	0
At 31 March 2026	(317)	(4,285)	(4,602)
Net Book Value at 31 March 2026	9,446	4,915	14,361
Net Book Value at 1 April 2025	10,047	6,880	16,727

3: NOTES TO THE FINANCIAL STATEMENTS

2024/25	Land & buildings £'000	Vehicles, plant & equipment £'000	Total £'000
Cost or Valuation			
At 1 April 2024	5,514	692	6,206
Remeasurement on initial application of IFRS 16	5,507	3,215	8,722
Initial recognition of Right of Use (leased) assets	0	5,293	5,293
Additions – leasehold improvements	159	0	159
Remeasurement in year	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(681)	0	(681)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0
Derecognition - disposals & other	0	0	0
Transfers	0	0	0
At 31 March 2025	10,499	9,200	19,699
Accumulated Depreciation & Impairment			
At 1 April 2024	(127)	(429)	(556)
Depreciation charge	(579)	(2,091)	(2,670)
Depreciation written out to the Revaluation Reserve	254	0	254
Derecognition - disposals & other	0	0	0
At 31 March 2025	(452)	(2,520)	(2,972)
Net Book Value at 31 March 2025	10,047	6,680	16,727
Net Book Value at 1 April 2024	5,387	263	5,650

44.2 Revaluation of Right of Use assets

After the lease commencement date right of use assets relating to a class of property plant and equipment are measured at current value, using the cost model as a proxy for current value, except for:

- assets held under non-commercial leases (i.e. right of use assets acquired under peppercorn, nominal or nil consideration leases)
- right of use assets associated with (i) longer-term leases (i.e. a lease term of more than five years) that contain no provisions to update lease payments for market conditions (such as rent reviews), or where there is a significant period of time between those updates (i.e. more than five years), and (ii) the fair value or current value in existing use of the underlying asset is likely to fluctuate significantly due to changes in market prices.

Valuations of right of use assets summarised in the following table were undertaken by external valuers Wilks, Head & Eve in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy and the Royal Institution of Chartered Surveyors Valuation - Professional Standards and Guidance (the 'Red Book').

3: NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2026	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Total £'000
Carried at historical cost as a proxy for current value,	476	9,200	9,676
Valued at current value at:			
31 March 2026	1,878	-	1,878
31 March 2025	7,409	-	7,409
31 March 2024	-	-	-
31 March 2023	-	-	-
31 March 2022	-	-	-
Indexation applied to valuations above	-	-	-
Total Cost or Valuation	9,763	9,200	18,963

At 31 March 2025	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Total £'000
Carried at historical cost as a proxy for current value,	10,800	9,200	14,707
Valued at current value at:			
31 March 2025	4,992	-	4,992
31 March 2024	-	-	-
31 March 2023	-	-	-
31 March 2022	-	-	-
31 March 2021	-	-	-
Total Cost or Valuation	10,499	9,200	19,699

44.3 Transactions under leases

The Authority incurred the following expenses and cash flows in relation to leases:

	2025/26 £'000	2024/25 £'000
Comprehensive income and expenditure statement		
Interest expense on lease liabilities	561	420
Cash flow statement		
Minimum lease payments	2,638	1,195

45. Service Concession Arrangements (PFI/PPP)

The Council currently has two service concession (PFI/PPP) contracts which are detailed below. Although the payments made to the contractors are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable, whilst the capital expenditure remains to be reimbursed. The liability is established at the same time that the assets are recognised on the Balance Sheet i.e. when they become operational.

Waste Management Contract

The Waste Management Contract was signed in June 2009; it is a 25 year Public Private Partnership (PPP) contract between the Council and Renewi plc. Following local government reorganisation the contract was novated to Cumberland Council as the host Authority for waste disposal services across the county. The overall aim of the project is to reduce the volume of waste sent to landfill and hence reduce landfill taxes and potential fines arising from the Government's Landfill Allowance Trading Scheme.

To achieve this aim, Renewi constructed two waste treatment facilities; one in the north of the County (Carlisle) and one in the south (Barrow), These are designed to dramatically reduce the amount of residual waste sent to landfill. Renewi are also responsible for managing, maintaining and operating the existing 14 Household Waste Recycling Centres across the County. At the end of the concession period the waste treatment plants will be transferred to the Council's ownership. Following acquisition of Renewi's UK municipal business in 2024 the contract transferred to Biffa Cumbria Ltd.

The waste treatment facility in Carlisle (Hespin Wood) became operational in December 2011 and the facility in Barrow in January 2013.

Carlisle Northern Development Route (CNDR)

The Carlisle Northern Development Route (CNDR) contract was signed in July 2009 by the former Cumbria County Council; it is a 30 year Private Finance Initiative (PFI) contract between the Council and Connect CNDR Ltd. The contract is an essential component of the economic regeneration of West Cumbria, one of the most economically deprived parts of the North West.

The contract covers the design, construction, financing, operation and maintenance of a new 8.3km largely single carriageway road connecting the north and west of Carlisle. The aim of the project is to relieve pressure on radial routes within Carlisle, which is seen as key to the development of the strategic employment site at Kingmoor Park to its full potential. The CNDR was scheduled to be fully completed, contractually, by 2013, but was completed and became operational in February 2012. Connect CNDR are also responsible for the management, maintenance and operation of some 150km of the existing principal road network in the surrounding area. At the end of the concession period the road will be transferred to the Council's ownership.

Refinancing of the contract was concluded in December 2018, with Cumbria County Council electing to take its share of the gain from the re-financing as an upfront lump sum receipt of £10.574m in 2018-19. The gain is held on the Council's Balance Sheet as deferred income and released to the Comprehensive Income and Expenditure Statement over the remaining contract term to offset the interest charge.

As the annual sum (£529k) is released from deferred income a corresponding transfer is made to the PFI Earmarked Reserve. At 31 March 2026 the balance of deferred income was £6.873m (31.3.25: £7.402m) and the PFI Earmarked Reserve balance (which also includes the balance of the annual PFI grant intended to cover notional capital element of PFI costs) £21.200m.

3: NOTES TO THE FINANCIAL STATEMENTS

45.1 Service Concession assets included in property, plant and equipment

The value of assets held under service concession arrangements at the Balance Sheet date, and the movement in those values during the year are as follows:

2025/26	Waste Management £'000	Carlisle Northern Development Route £'000	Total £'000
Cost or Valuation			
At 1 April 2025	36,358	72,149	108,507
Additions	0	0	0
Remeasurement of PFI (lease) liability 2025-26	(235)	725	490
Indexation increases/(decreases) recognised in the Revaluation Reserve	(3,967)	0	(3,967)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0
Derecognition - disposals & other	0	0	0
At 31 March 2026	32,156	72,874	105,030
Accumulated Depreciation & Impairment			
At 1 April 2025	(3,254)	(21,393)	(24,647)
Depreciation charge	(1,583)	(2,860)	(4,443)
Depreciation written out to the Revaluation Reserve	4,837	0	(4,837)
Derecognition - disposals & other	0	0	0
At 31 March 2025	0	(24,253)	(24,253)
Net Book Value at 31 March 2026	32,156	48,621	80,777
Net Book Value at 1 April 2025	33,104	50,756	83,860

2024/25	Waste Management £'000	Carlisle Northern Development Route £'000	Total £'000
Cost or Valuation			
At 1 April 2024	37,785	60,091	97,876
Additions	(1,451)	11,197	9,746
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0
Remeasurement of PFI (lease) liability 2024-25	24	861	885
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0
Derecognition - disposals & other	0	0	0
At 31 March 2025	36,358	72,149	108,507
Accumulated Depreciation & Impairment			
At 1 April 2024	(1,660)	(18,574)	(20,234)
Depreciation charge	(1,594)	(2,819)	(4,413)
Depreciation written out to the Revaluation Reserve	0	0	0
Derecognition - disposals & other	0	0	0
At 31 March 2025	(3,254)	(21,393)	(24,647)
Net Book Value at 31 March 2025	33,104	50,756	83,860
Net Book Value at 1 April 2024	36,125	41,517	77,642

3: NOTES TO THE FINANCIAL STATEMENTS

45.2 Payments due to be made under service concession arrangements

The Authority makes agreed payments each year to the operators, increased in line with inflation where stated in the contract and similarly reduced if performance falls below minimum standards in any year. Payments remaining to be made under the service concession contracts at 31 March 2026 (including the impact of indexation adjustments made for inflation in 2025-26 but excluding any future indexation uplifts and availability/performance deductions) are as follows:

At 31 March 2026	Service charges £'000	Repayment of liability £'000	Interest £'000	Contingent rentals £'000	Total £'000
Amounts payable within:					
12 months	28,825	4,587	12,481		45,893
2 to 5 years	117,881	24,590	43,036		185,507
6 to 10 years	108,228	44,471	29,301		182,000
11 to 15 years	27,909	24,219	6,155		58,283
	282,843	97,867	90,973		471,683

At 31 March 2025	Service charges £'000	Repayment of liability £'000	Interest £'000	Contingent rentals £'000	Total ¹ £'000
Amounts payable within:					
12 months	27,687	4,003	12,953		44,643
2 to 5 years	113,259	21,529	45,723		180,511
6 to 10 years	121,165	45,034	34,990		201,189
11 to 15 years	39,142	30,863	9,658		79,663
	301,253	101,429	103,324		506,006

45.3 Movement in PFI Liabilities

Although the payments made to the operators are described as unitary payments, they have been calculated to compensate the operator for the fair value of the services they provide, the capital expenditure incurred and interest payable while the capital expenditure remains to be reimbursed. The liabilities remaining to be paid to the operators for capital expenditure incurred is as follows:

2025/26	Waste Management £'000	Carlisle Northern Development Route £'000	Total £'000
Balance outstanding at start of year	(37,547)	(63,882)	(101,429)
Remeasurement of liability in year	237	(725)	(489)
Repayments during the year	1,628	2,422	4,050
Capital expenditure incurred in the year	0	0	0
Balance outstanding at year-end	(35,682)	(62,185)	(97,867)
Amounts falling due:			
Within one year	(2,005)	(2,582)	(4,587)
After more than one year	(33,677)	(59,603)	(93,280)
	(35,682)	(62,185)	(97,867)

3: NOTES TO THE FINANCIAL STATEMENTS

2024/25	Waste Management £'000	Carlisle Northern Development Route £'000	Total £'000
Balance outstanding at start of year	(39,859)	(52,803)	(92,662)
Remeasurement –Implementation of IFRS 16	1,230	(12,376)	(11,146)
Remeasurement of liability in year	(24)	(861)	(885)
Payments during the year	1,109	2,158	3,264
Capital expenditure incurred in the year	0	0	0
Balance outstanding at year-end	(37,547)	(63,882)	(101,429)
Amounts falling due:			
Within one year	(1,619)	(2,384)	(4,003)
After more than one year	(35,928)	(61,498)	(97,426)
	(37,547)	(63,882)	(101,429)

46. Related Party Transactions

The Authority is required to disclose material transactions with related parties. These include a person (or close family member of that person) or an entity, that either controls or significantly influences the decisions and operations of the Authority or vice-versa. Related parties of the Authority include elected members, chief officers and entities controlled or significantly influenced by the Authority. It also includes the UK Government which exerts significant influence through legislation and grant funding. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. A number of these transactions have already been disclosed within the financial statements and supporting notes as follows:

- Transactions and balances with Central Government, NHS bodies and other local authorities (including parish councils) are disclosed within the Comprehensive Income & Expenditure Statement, Balance Sheet and Cash Flow Statement
- Transactions and balances with Central Government, Cumbria Commissioner Fire & Rescue Authority and Police and Crime Commissioner for Cumbria - in respect of council tax and NNDR - are disclosed in the Collection Fund Account and supporting notes
- Transactions and balances with the Local Government Pension Fund are summarised in note 37
- Remuneration of key management personnel is disclosed in note 13 - Members' Allowances and note 14 - Officers' Remuneration.

Transactions with Subsidiaries

Allerdale Waste Services Limited

During the year to March 2025, the Authority made payments to the Company for waste collection and recycling services of £4,625,535. The amount due from Cumberland Council at the year-end, 31 March 2025, was £Nil (2024 - £388).

During 2024-25, the Authority made sales and recharged costs to the company totalling £519,791. The Authority also paid and recharged the Company payroll costs totalling £2,759,503.

At 31 March 2025, amounts owed by the Company to the Authority totalled £1,257,525 (31 March 2024: £405,564).

3: NOTES TO THE FINANCIAL STATEMENTS

During 2024-25, the Company occupied property and had use of vehicles owned by the Authority. No amounts were paid to Cumberland Council in return for use of these assets.

In 2024-25, following the transfer of the waste collection service back in-house, all leases held by the Company were novated to Cumberland Council and all staff were transferred to Cumberland Council under a TUPE agreement. Non-current assets and inventory at the time of the transfer was sold to Cumberland Council for £114,542. These amounts are included in the total sales to Cumberland Council figure above of £4,625,535.

Transactions with Joint Ventures

During 2024-25 the Authority received a dividend payment of £35,000 from Cumbria County Holdings Limited (2025-26: £nil).

During the year ended 31 March 2026 the Authority purchased cleaning and facilities support services totalling £926,015 (2024-25: £708,901) from Orian Solutions Limited, a wholly owned subsidiary of Cumbria County Holdings Limited. During 2025-26 Orian Solutions Limited also made sales of cleaning and catering services totalling £2,071,079 (2024-25: £2,258,700) to Local Authority Maintained Schools in the Cumberland area.

At 31 March 2026 amounts owed by the Authority and Maintained School to Orian Solutions Limited was £27,268 (31 March 2025: £1,781) and £291,647 (31 March 2025: £343,834) respectively.

Cumberland Investment Partnership LLP

At 31 March 2026 and 31 March 2025 the Authority held Secured Investor Loan Notes 2034, issued by Cumberland Investment Partnership LLP. These loan notes were issued at par with an issue value (principal only) of £692,024. The balance held comprises:

- £1,522,500 in respect of loan notes issued in 2014-15 in connection with the sale of surplus land by the former Allerdale Borough Council to wholly owned subsidiaries of the partnership
- £222,000 in respect of additional loan notes issued in 2015-16 ,
less
- principal repayments made in 2018-19 (£206,953), 2021-22 (£620,426) and 2023-24 (£225,097).

During 2017-18, a variation to the terms of the CIP loan notes was agreed by the noteholders. As a result of this variation, no further interest is payable to noteholders after 2016-17 and for such time as the percentage difference between each members profit share proportion is 5% or less. Rights accrued under the original agreement are unaffected by this change.

To date repayments of £1,375,000 in respect of principal and interest (for periods ending on or before 31 March 2017) have been received by the Authority in 2018-19 (£250,000) 2021-22 (£825,000) and 2023-24 (£300,000).

At 31 March 2026 the balance of principal and interest outstanding on the Cumberland Investment Partnership LLP Secured Investor Loan Notes 2034 was £922,300 (31 March 2025: £922,300). These loan notes are reported in the Authority's balance sheet at 31 March 2026 at a carrying value (fair value) of £nil (31 March 2025: £nil), reflecting the estimated amount of future repayments and the high level of uncertainty regarding the timing and amount of those repayments.

47. Contingent Assets and Liabilities

47.1 Home Housing Association

Prior to local government reorganisation, Allerdale Borough Council and Carlisle City Council entered into a joint scheme with Home Housing Association to secure the development of houses to rent at five sites in Workington, Silloth, Cockermouth and Keswick and at two sites at Heysham Nursery and Gelt Road, Brampton. To fund the development programme Home Housing Association, raised in three tranches £100 million of loan stock which will mature in 2037.

In order to enable Home Housing Association to raise private finance from institutional investors, all participating authorities were required to enter into a standard form of guarantee under which they jointly and severally guarantee the loan stock raised by Home Housing Association to fund the development programme. There are nineteen authorities participating in the scheme. On vesting day the guarantees provided by Allerdale Borough and Carlisle City Council transferred to Cumberland Council.

The total liability guaranteed by participating authorities is £100 million. The guarantee will remain in force until 2037 when the loan stock falls due to be repaid.

As the liability is joint and several the maximum liability of each authority under guarantee is £100 million. Given authorities would not be prepared to expose themselves to the risk, however remote, of having to meet the full liability of the borrowing under their individual guarantee there is therefore a Counter Indemnity and Contribution arrangement in place. Under this arrangement each participating Authority undertakes to reimburse any other authority or authorities paying more than their proportionate share of the guarantee. An authority's proportionate share is determined by reference to the estimated development expenditure in that authority's area. If the Guarantee were called in, the worst situation for the Authority would be that once it had recovered any contribution from other authorities, it would be left to fund no more than the cost of the development in its own area. This cost would be offset wholly, or partly, by the sums recovered from repossessing the units from Home Housing Association and selling them on. The latest schedule of guarantee levels indicates the Authority's Estimated Development Expenditure at £6,405,000 from an overall total of £84,100,000.

47.2 Municipal Mutual Scheme of Arrangement

In 1992-93 the insurers of Cumberland Council's legacy councils, Municipal Mutual Insurance (MMI) ceased trading and entered into a scheme of arrangement. This arrangement enabled MMI to continue to deal with and pay liability claims arising from incidents up to 1993 with the aim of achieving a solvent run off. Under the scheme of arrangement if a solvent run off is not achievable, a percentage of claims payments made since 1993 could be clawed back by MMI.

Control of the Company has passed to a Scheme Administrator who, after carrying out a review of the assets and liabilities of MMI, advised the creditors of an initial levy rate of 15% on all claims paid to date within the scheme structure which exceeded £50,000 in aggregate. The initial levy rate of 15%, set in 2013-14 was subsequently increased to 25% from 1 April 2016. To date, the Authority has made levy payments of £1,383,043 (31 March 2025: £1,292,151) against claim payments of £5,582,171 (31 March 2025: £5,218,604). The levy rate is reviewed annually by the scheme administrator. No further changes to the payment percentage and levy rate are currently anticipated.

At 31 March 2026, no further provision has therefore been made for additional levy payments that would become payable should the Scheme Administrator increase the levy rate further. In the event that the levy rate is increased, the maximum additional levy payable by the Authority is £4,149,129 (31 March 2025: £3,876,453).

3: NOTES TO THE FINANCIAL STATEMENTS

47.3 Equal Pay Claims

The Council is subject to ongoing equal pay claims brought by multiple trade unions (including the GMB and UNISON) on behalf of approximately 500 current and former employees. The claims, lodged in 2023 following local government reorganisation, allege that certain roles including (but not limited to) administrative, care, and support functions - primarily undertaken by female employees - have been remunerated at levels lower than those of male employees undertaking work of equal value. A significant portion of these claims stem from legacy pay, grading structures, and operational practices inherited from the former Cumbria County Council.

A formal Employment Tribunal pre-hearing was concluded in late 2024 and a Stage 1 hearing is scheduled for February 2027. However, the tribunal process remains at an early stage of legal determination and has not yet been adjudicated.

At the reporting date, given the early stage of legal proceedings, complexities of equal pay litigation and inherent uncertainties surrounding the outcome of the claims, it is not practicable to estimate with sufficient reliability the amounts of any potential financial obligation. While the financial impact cannot currently be quantified, the claims represent a potentially material financial exposure to the Council.

48. Trust Funds

The Authority acts as sole Trustee for, Keswick Museum and Art Gallery and Helena Thompson Museum.

48.1 Keswick Museum and Art Gallery (Registered Charity Number 1088956)

Cumberland Council is the sole trustee of Keswick Museum and Art Gallery, an unincorporated charitable trust established under a charity scheme dated 11 January 1995. The objects of which are to maintain a public museum. Property of the trust - vested in the Authority as sole trustee - comprises the museum building situated at Station Road, Keswick and the Museum Collections & Exhibits.

Each year the Authority subsidises the charity to the extent of the excess of its expenses over its income. In 2025-26 the Trust received a contribution of £13,330 (2024-25: £13,330) from Cumberland Council. The museum is managed on behalf of the Authority by Keswick Museum and Art Gallery Management Limited (Registered Charity Number: 1156330). The Keswick Museum and Art Gallery accounts are summarised below.

Summary Statement of Financial Activities	2025/26 £	2024/25 £
Income		
Contribution from Cumberland Council	(13,330)	(13,330)
Donations	0	0
Total Income	(13,330)	(13,330)
Expenditure		
Direct charitable expenditure	13,330	13,330
(Gain)/loss on disposal of fixed assets	0	0
Total Expenditure	13,330	13,330
Net (income)/Expenditure for the year		0
Other gains and losses		
(Gains)/loss on revaluation of fixed assets	0	0
Net (increase)/decrease in funds	0	0

3: NOTES TO THE FINANCIAL STATEMENTS

Summary Balance Sheet	31 March 2026 £	31 March 2025 £
Heritage Assets	1,134,140	1,134,140
Total Fixed Assets	1,134,140	1,134,140
Cash & cash equivalents	0	0
Total Current Assets	0	0
Net Assets	1,134,140	1,134,140
Represented by:		
Unrestricted income funds	0	0
Designated funds:	0	0
Museum Collections & Exhibits	1,134,140	1,134,140
	1,134,140	1,134,140

48.2 Helena Thompson Museum (Registered Charity Number 1119567)

Cumberland Council is the sole trustee of the Helena Thompson Museum, an unincorporated charitable trust established under the will of the late Helena Agnes Mary Thompson. The trust exists to maintain in good repair and condition, the museum property (comprising the museum buildings, ground and collections), to support the purchase of antiques and articles of local interest for the museum and to fund the general expenses of the museum. The Trust property is vested in the Authority as sole trustee and held on charitable trust for use as a museum in accordance with the provisions of the will.

Each year the Authority subsidises the charity to the extent of the excess of its expenses over its income. In 2025-26 the Trust received from Cumberland Council a contribution of £63,941 (2024-25: £91,674). The museum is managed on behalf of the Authority by Workington Heritage Group Limited ("WHG") (Registered Charity Number: 1127084). The Helena Thompson Museum accounts are summarised below.

Summary Statement of Financial Activities	2025/26 £	2024/25 £
Income		
Contribution from Cumberland Council	(63,941)	(91,674)
Investments	0	0
Total Income	(63,941)	(91,674)
Expenditure		
Direct charitable expenditure	63,941	91,674
Depreciation of buildings	19,308	19,308
Revaluation and impairment of fixed assets	0	0
Total Expenditure	83,249	110,982
Net (income)/Expenditure for the year	19,308	19,308
Other gains and losses		
(Gain)/loss on revaluation of fixed assets	0	0
Net (increase)/decrease in funds	19,308	19,308

3: NOTES TO THE FINANCIAL STATEMENTS

Summary Balance Sheet	31 March 2026 £	31 March 2025 £
Tangible Assets	527,768	547,076
Heritage Assets	565,975	565,975
Investments	12,361	12,361
Total Fixed Assets	1,106,104	1,125,412
Cash & cash equivalents	0	0
Total Current Assets	0	0
Net Assets	1,106,104	1,125,412
Represented by:		
Restricted fund - Tangible assets	429,677	415,182
Revaluation reserve - Tangible assets	98,091	131,894
Restricted fund - Heritage assets	1,000	1,000
Revaluation reserve - Heritage assets	564,975	564,975
Restricted fund - Permanent endowment	12,361	12,361
	1,106,104	1,125,412

48.3 Other Funds

The Authority also acts as administrator and/or trustee for a number of charitable and other funds. These funds do not represent assets of the Authority and are not included in the Authority's Balance Sheet. At 31 March 2026 the total value of these funds was £157,455 (31 March 2025: £131,725).

3: NOTES TO THE FINANCIAL STATEMENTS

49. Interests in subsidiaries

Set out below are the details of subsidiaries held directly by the Authority:

Name of subsidiary	Country of incorporation & principal place of business	Entity Type	Principal activity	Ownership Interest held	Retained profit/(loss) 2025/26 £000	Net assets/(liabilities) at 31 March 2026 £000	Retained profit/(loss) 2024/25 £000	Net Assets at 31 March 2025 £000	Note
Allerdale Waste Services Limited	UK	Company (limited by share capital)	Waste Collection & recycling	100% ordinary share capital	N/A	N/A	(74)	(1)	1
Industrial Solutions Hub (iSH) Limited	UK	Company limited by guarantee without share capital	Development of industrial clusters	More than 75% of voting rights held	40	51	11	11	2
Keswick Museum and Art Gallery	UK	Unincorporated charitable trust	Provide & maintain a public museum.	Sole Trustee	0	1,134	0	1,134	3
Helena Thompson Museum.	UK	Unincorporated charitable trust	Provide & maintain a public museum.	Sole Trustee	(19)	1,106	(19)	1,125	4

- Allerdale Waste Services Limited: Following local government reorganisation the company continued to provide waste collection and recycling services in the former Allerdale area. In 2024-25 these services were brought in house and the company ceased trading. The company was dissolved on 21 April 2026.
- Industrial Solutions Hub (iSH) Limited: Under the Memorandum and Articles of Association income and property of the Company may only be applied towards promoting the objects of the Company. Income and property cannot be paid or transferred directly or indirectly by way of dividends, bonus or otherwise to any member of the Company. The Memorandum and Articles of Association further prohibit residual assets from being paid or distributed among members of the Company in the event of winding up or dissolution and must instead be given or transferred to some other institution(s) having similar objects and which prohibit distribution of their income and property to its or their members.
- Keswick Museum and Art Gallery: Income and property of the Trust are subject to the restrictions imposed by the Trust's governing document and Charity Law and may only be applied to further the objects of the Trust. Income of the Trust may only be applied for the purposes set out in the sealed charity scheme dated 11 January 1995. The Authority is not permitted to apply income of the charity directly in relief of rates, taxes or other public funds.
- Helena Thompson Museum: Income and property of the Trust are subject to the restrictions imposed by the Trust's governing document and Charity Law and may only be applied to further the objectives of the trust.

Further information including summarised financial information relating to Keswick Museum and Art Gallery and the Helena Thompson Museum is set out in note 48 to the Accounts

3: NOTES TO THE FINANCIAL STATEMENTS

50. Interest in joint arrangements & associates

Cumbria County Holdings Limited

The Authority has 50% shareholding in Cumbria County Holdings Ltd (CCHL), a private company limited by share capital. The remaining 50% shareholding is held by Westmorland and Furness Council with whom it shares joint control of the Company.

At 31 March 2026 Cumbria County Holdings Limited had one wholly owned subsidiary Orian Solutions Limited. Orian Solutions Limited in turn held 100% of the issued share capital in, Britton-Hillary Limited (acquired July 2024), CCG Cleaning Ltd (acquired March 2025) and It's Clean Limited (acquired August 2025).

Summarised financial information about the joint venture, based on its consolidated financial statements is set out below:

	31 March 2026 £'000	31 March 2025 £'000
Non-current assets	3,065	2,543
Current assets ¹	6,079	9,128
Current liabilities ²	(3,426)	(2,974)
Non-current liabilities ³	5	(236)
Net Assets	5,723	8,461
<i>Included in the above amounts are:</i>		
¹ Current assets - Cash and cash equivalents	2,129	5,304
² Current financial liabilities (excluding trade & other payables and provisions)	(1,065)	(1,116)
³ Non-current financial liabilities (excluding trade payables and other payables and provisions)	5	(236)

	2025/26 £'000	2024/25 £'000
Revenue	25,064	21,301
Profit or (loss) from continuing operations ¹	(2,081)	(104)
Post tax profit or (loss) from discontinued operations	0	0
Other comprehensive income for the year	(657)	(266)
Total comprehensive income for the year	(2,081)	(370)
¹ Included in the above amounts are:		
Depreciation and amortisation	325	118
Interest income/(expense)	82	202
Corporation tax (expense)/income	(3)	(61)
Authority's (& Group's) share of profit/(loss) for the year	(1,369)	(185)
Dividends received by group from joint venture	0	35

3: NOTES TO THE FINANCIAL STATEMENTS

Cumberland Investment Partnership LLP

The Authority has a 50% interest in Cumberland Investment Partnership LLP a joint venture partnership with Cumbria Partnerships Limited. The joint venture was established to enhance the value of the Authority's surplus land and stimulate economic growth across the former Allerdale Borough Council area. Cumberland Investment Partnership LLP was incorporated in the United Kingdom on 7 April 2014 under the name Allerdale Investment Partnership LLP.

At 31 March 2026 Cumberland Investment Partnership LLP had three wholly owned subsidiaries:

Name of subsidiary	Country of incorporation & principal place of business	Principal activity	Ownership Interest held by Cumberland Council
A.I.P. (Derwent Riverside) Limited	UK	Development of building projects	50% indirect
A.I.P. (Ashfield Road and Ellerbeck Lane) Limited	UK	Development of building projects	50% indirect
A.I.P. (Church Street) Limited	UK	Development of building projects	50% indirect

Summarised financial information about the joint venture, based on its consolidated IFRS financial statements is set out below:

	31 March 2026 £'000	31 March 2025 £'000
Non-current assets	0	1
Current assets ¹	157	395
Current liabilities ²	(26)	(194)
Non-current liabilities ³	(1,312)	(1,172)
Net Assets	(1,181)	(970)
<i>Included in the above amounts are:</i>		
¹ Current assets - Cash and cash equivalents	25	111
² Current financial liabilities (excluding trade & other payables and provisions)	0	0
³ Non-current financial liabilities (excluding trade payables and other payables and provisions) - long term borrowing	(1,312)	(1,712)

3: NOTES TO THE FINANCIAL STATEMENTS

	2025/26 £'000	2024/25 £'000
Revenue	71	226
Profit or (loss) from continuing operations ¹	(215)	(198)
Post tax profit or (loss) from discontinued operations	0	0
Other comprehensive income for the year	0	0
Total comprehensive income for the year	(215)	(198)
¹ Included in the above amounts are:		
Depreciation and amortisation	1	1
Interest income/(expense)	(141)	(159)
Gain/(loss) arising on re-estimation of expected life of members loans	0	298
Corporation tax (expense)/income	3	0
Authority's (& Group's) share of profit/(loss) for the year	107	(99)
Dividends received by Authority from joint venture	0	0

Profits in Cumberland Investment Partnership LLP cannot be distributed without the consent of the two venture partners.

At 31 March 2026 there were no contingent liabilities or capital commitments related to the Authority's investment in Cumberland Investment Partnership LLP (31 March 2025: nil).

Non quantifiable interest in associated undertakings

The Authority is a member of and has significant influence over the following companies:

- Energy Coast West Cumbria Limited
- Energy Coast West Cumbria (Workspace) Limited.

These companies are limited by guarantee and do not have a share capital or other form of unitised capital structure. It is not therefore possible to quantify the Councils ownership interest in these entities.

Under the Memorandum and Articles of Association income and property of each company may only be applied towards promoting the objects of the company. Income and property cannot be paid or transferred directly or indirectly by way of dividends, bonus or otherwise to any member of the Company. The Memorandum and Articles of Association further prohibit residual assets from being paid or distributed among members of the Company in the event of winding up or dissolution and must instead be given or transferred to some other institution(s) having similar objects and which prohibit distribution of their income and property to its or their members.

51. Events After the Balance Sheet Date

Authorisation of the statement of accounts

The Statement of Accounts was certified by the Chief Finance Officer (Section 151 Officer), and authorised for issue, on 30 June 2026.

Events taking place after this date are not reflected in the Statements or Notes. Where an event taking place before this date provided information about conditions existing at 31 March 2026, the figures in the Statements, or Notes, have been adjusted in all material aspects to reflect the impact of this information as appropriate.

4: COLLECTION FUND

Collection Fund

Income and Expenditure Account 2025/26

	2025/26			2024/25		
	Business Rates £'000	Council Tax £'000	Total £'000	Business Rates £'000	Council Tax £'000	Total £'000
INCOME						
Council Tax Receivable	-	(223,667)	(223,667)	-	(208,643)	(208,643)
Business Rates Receivable	(118,441)	-	(118,441)	(109,484)	-	(109,484)
Contribution towards previous year's estimated deficit	(5,150)	-	(5,150)	(5,420)	(353)	(5,773)
Transitional Protection Payments	(298)	-	(298)	(1,268)	-	(1,268)
	(123,889)	(223,667)	(347,556)	(116,172)	(208,996)	(325,168)
EXPENDITURE						
Precepts (note 4)						
Cumberland Council	-	184,745	184,745	-	169,186	169,186
Police & Crime Commissioner for Cumbria	-	30,358	30,358	-	27,894	27,894
Cumbria Commissioner Fire & Rescue Authority	-	9,200	9,200	-	8,389	8,389
Business Rates (note 5)						
Payments to:						
Central Government	56,622	-	56,622	55,061	-	55,061
Cumberland Council	55,490	-	55,490	53,960	-	53,960
Cumbria Commissioner Fire & Rescue Authority	1,133	-	1,133	1,101	-	1,101
Transitional Protection Payments	0	-	0	0	-	0
Cost of Collection	466	-	466	470	-	470
Interest	108	-	108	169	-	169
Disregarded Amounts	2,803	-	2,803	2,078	-	2,078
Contribution towards previous year's estimated surplus	0	931	931	0	0	0
Bad and Doubtful Debts:						
Write-off of uncollectable amounts	(20)	548	528	(53)	563	510
Movement in impairment allowance	2,025	2,040	4,065	1,559	1,836	3,395
Movement in provision for NDR appeals	(1,253)	-	(1,253)	(443)	-	(443)
	117,374	227,822	345,196	113,902	207,868	321,770
Movement on Collection Fund (Surplus)/Deficit for year	(6,515)	4,155	(2,360)	(2,270)	(1,128)	(3,398)
(Surplus)/Deficit at 1 April	5,283	(241)	5,042	7,553	887	8,440
(Surplus)/Deficit at 31 March	(1,232)	3,914	2,682	5,283	(241)	5,042
Allocation of (Surplus)/Deficit:						
Central Government	(616)	-	(616)	2,641	-	2,641
Cumberland Council	(604)	3,224	2,620	2,613	(198)	2,415
Police & Crime Commissioner for Cumbria	0	529	529	0	(33)	(33)
Cumbria Commissioner Fire & Rescue Authority	(12)	161	149	29	(10)	(19)
	(1,232)	3,914	2,682	5,283	(241)	5,042

Notes to Collection Fund Account

1. General

The Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR). The statement shows the transactions to the billing authority in relation to:

- the collection of council tax and non-domestic rates from taxpayers, and
- the distribution of the amounts collected to local authorities (Cumberland Council) and major preceptors - the Police and Crime Commissioner for Cumbria (council tax) and Cumbria Commissioner Fire & Rescue Authority (non-domestic rates and council tax).and Central Government (non-domestic rates).

The transactions recognised in the Collection Fund are wholly prescribed by legislation. Administrative costs associated with the collection process are charged to the General Fund.

Surpluses or deficits declared by the billing authority in relation to the Collection Fund, in respect of NNDR and Council tax, are distributed to central government and the relevant precepting bodies in the subsequent financial years in accordance with statutory provisions.

2. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands, calculated using estimated 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Cumberland Council, the Police & Crime Commissioner for Cumbria and Cumbria Commissioner Fire & Rescue Authority for the forthcoming year and dividing this by the Council Tax Base.

The Council Tax Base for 2025-26 of 93,697.66 (2024-25 of 89,966.79) represents the total number of properties in each band, with allowance for discounts, adjusted by a proportion to convert the number to a Band D equivalent, having taken account of the estimated collection rate for the year of 98.5%.

The basic amount of Council Tax for a Band D property for 2025-26 of £2,239.65 (2024-25: £2,220.09) is multiplied by the proportion specified for the particular band to give an individual amount due. The composition of the total Band D council Tax charge (excluding parish element) is as follows:

	2025/26 £	2024/25 £
Cumberland Council	1,907.46	1,816.8
Police & Crime Commissioner for Cumbria	324.00	310.05
Cumbria Commissioner Fire & Rescue Authority	98.19	93.24
	2,329.65	2,220.09

4: COLLECTION FUND

The following table shows the Band D Equivalent Chargeable Dwellings, the Tax Base and the basis of Council Tax bills for Bands A to H, taking account of the relevant proportion of Band D for each band:

	Proportion of Band D	2025/26		2024/25	
		Basic amount of Council Tax ¹ £'000	Band D equivalent number of chargeable dwellings	Basic amount of Council Tax ¹ £'000	Band D equivalent number of chargeable dwellings
Band A	6/9	1,553.10	30,449.08	1,480.06	29,358.06
Band B	7/9	1,811.95	17,341.30	1,726.74	16,714.87
Band C	8/9	2,070.80	16,652.67	1,973.42	15,986.66
Band D	9/9	2,329.65	14,756.08	2,220.09	14,175.75
Band E	11/9	2,847.35	9,975.82	2,713.44	9,515.29
Band F	13/9	3,365.05	4,205.37	3,206.80	3,959.65
Band G	15/9	3,882.75	1,633.24	3,700.15	1,531.07
Band H	18/9	4,659.30	111.00	4,440.18	95.50
Equivalent Chargeable Dwellings			95,124.56		91,336.85
Tax Base: 98.5% (2024/25: 98.5%) of chargeable dwellings			9,3697.66		89,966.79

¹ excluding parish element

The Council Tax income for 2025-26 of £223,667 (2024-25: £208,643k) comprises:

	2025/26 £'000	2024/25 £'000
Billed to Council Tax payers	(273,063)	(260,431)
MOD Contribution in Lieu of Council Tax	(28)	(27)
Council Tax Benefit overpayments ¹	(7)	(1)
Total receivable from taxpayers	(273,098)	(260,459)
Discounts & exemptions	49,573	51,981
	(223,525)	(208,478)
Hardship Discount	3	7
Flood Relief	(9)	(61)
Care Leavers (transfer from General Fund)	(143)	(112)
Council Tax Benefit overpayments ¹	7	1
	(223,667)	(208,643)

¹ Council Tax Benefit was abolished in 2013-14 following the introduction of localised support for council tax and its replacement with a Council Tax Reduction Scheme administered by the Authority. Funding for Council Tax support schemes is now provided through the business rates retention scheme rather than through a separate grant.

3. National Non-Domestic Rates

National Non-Domestic Rates (NNDR) is based on local rateable values provided by the Valuation Office Agency (VOA), multiplied by a uniform business rate set nationally by Central Government. For 2025-26, the total non-domestic rateable value at the year-end was £286.730m (2024-25: £285.763m). The national multipliers for 2025-26 were 49.9p (2024-25:49.9p) for qualifying Small Businesses, and 55.5p (2024-25: 54.6p) for all other businesses.

4: COLLECTION FUND

Under the business rates retention scheme which has operated since 2013-14, 49% of the business rates income received is retained by the Authority. The remainder is paid to Central Government (50%) and Cumbria Commissioner Fire & Rescue Authority (1%).

4. Council Tax - Precepts and Demands

The amount shown below represents the precepting authorities' demands on the Collection Fund:

2025/26	Precept £'000	Surplus/ (deficit) ¹ £'000	Total £'000
Cumberland Council	184,745	767	185,512
Police and Crime Commissioner for Cumbria	30,358	126	30,484
Cumbria Commissioner Fire & Rescue Authority	9,200	38	9,238

¹ distribution based on estimated 2024-25 surplus/deficit at 15 January 2025

2024/25	Precept £'000	Surplus/ (deficit) ¹ £'000	Total £'000
Cumberland Council	169,186	(290)	168,896
Police and Crime Commissioner for Cumbria	27,894	(48)	27,846
Cumbria Commissioner Fire & Rescue Authority	8,389	(15)	8,374

¹ distribution based on estimated 2023-24 surplus/deficit at 15 January 2024

5. Non-Domestic Rates – Payments

2025/26	NNDR income ¹ £'000	Surplus/ (deficit) ² £'000	Total £'000
Cumberland Council (transfer to/from General fund) ¹	55,490	(2,523)	52,967
Cumbria Commissioner Fire & Rescue Authority	1,133	(52)	1,081
Central Government	56,622	(2,575)	54,047

¹ excluding transfers and payments relating to cost of collection allowance and disregarded income

² distribution based on estimate of cumulative surplus/deficit at end of preceding year calculated at 31 January of the preceding year

2024/25	NNDR income ¹ £'000	Surplus/ (deficit) ² £'000	Total £'000
Cumberland Council (transfer to/from General fund) ¹	53,960	(2,656)	51,304
Cumbria Commissioner Fire & Rescue Authority	1,101	(54)	1,047
Central Government	55,061	(2,710)	52,351

Accounting policies applied to the single entity (authority only) financial statements

1. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract
- supplies are recorded as expenditure when they are consumed; when there is a delay between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where circumstances indicate that debts may not be settled, the balance of debtors is written down and a charge made to revenue within the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement, for the income that might not be collected.
- where payments received from service recipients exceed revenue recognised to date on a particular contract, any excess (a contract liability) is reported in the balance sheet under contract and other liabilities.

2. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments, with maturities of three months or less (from the date of acquisition), that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

3. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting policies are only made when required by proper accounting practices, or if the change provides more reliable or relevant information about the effect

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of transactions, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is normally applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior periods as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

4. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are charged with the following to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible assets attributable to the service.

Depreciation, revaluation or impairment losses or amortisation charged to the Surplus or Deficit on the Provision of Services, are not proper charges to the General Fund. Such amounts are therefore transferred from the General Fund to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

The Authority is however required to make an annual contribution, from revenue, towards the reduction in its overall capital borrowing requirement (capital financing requirement). This contribution is known as the Minimum Revenue Provision (MRP) and is calculated on a prudent basis in accordance with statutory guidance.

The Minimum Revenue Provision does not appear in the Comprehensive Income and Expenditure Statement but is instead charged to the General Fund by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

5. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including central government for NDR) and as principals, collecting Council Tax and Non-Domestic Rates for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and Non-Domestic Rates collected could be less or more than predicted.

Accounting for Council Tax and Non-Domestic Rates

Council Tax and Non-Domestic Rates (NDR) income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of Council Tax and Non-Domestic Rates that must be included in the Authority's General Fund. Therefore, the difference

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between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund, is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of Council Tax and Non-Domestic Rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event, that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the Collection Fund.

6. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those expected to be settled wholly within 12 months of the end of the annual reporting period in which the employees render the related service. Short-term employee benefits include wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits and are recognised as an expense in the year in which employees render service to the Authority.

An accrual is made for the cost of leave entitlement (or any form of paid absence leave, for example time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services but then reversed out through the Movement in Reserves Statement to the Accumulated Absences account so that the cost of paid absences is charged to the General Fund in the financial year in which the employee takes their entitlement or the Authority makes a cash settlement.

Termination Benefits

Termination benefits are amounts payable as a result of either:

- (i) the Authority's decision to terminate an employee's employment before the normal retirement date, or
- (ii) an employee's decision to accept an offer of benefits in exchange for the termination of employment (for example an officer's decision to accept voluntary redundancy).

Termination benefits are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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Post-Employment Benefits

Employees of the Council are members of one of three separate pension schemes

- Local Government Pension Scheme administered by Westmorland and Furness Council
- The Teachers' Pension Scheme - administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- NHS Pension Scheme, administered by the NHS Business Services Authority (NHSBSA) on behalf of the Department of Health and Social Care (DHSC)

All three schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees work for the Authority.

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot be identified specifically to the Authority. Both teachers' and NHS schemes are therefore accounted for as if they were a defined contribution scheme. No liabilities for future payments of benefits are recognised in the Balance Sheet. The Children's and Family Wellbeing and Public Health and Communities directorate lines in the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable to Teachers' Pensions and NHS pension schemes respectively in the year.

Discretionary Benefits – Teachers Pensions

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis using the same accounting policies as are applied to the Local Government Pension Scheme (see below).

Local Government Pension Scheme

The Cumbria Local Government Pension Scheme is accounted for as a defined benefit scheme.

The liabilities of the Cumbria Local Government Pension Scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on demographic assumptions such as mortality rates and employee turnover rates and financial assumptions such as projections of future earnings for current employees. Actuarial valuations are carried out at the end of each annual reporting period.

Liabilities are discounted to their value at current prices, using a discount rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds.

The assets of the Cumbria Local Government Pension Scheme attributable to the Authority are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property - fair value in accordance with the Royal Institute of Chartered Surveyors' Valuation - Professional Standards.

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The change in the net pension liability is analysed into the following defined benefit cost components:

- current service cost - the increase in the present value of the defined benefit obligation resulting from employee service in the current period
- past service cost - the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the Authority in the number of employees covered by a plan)
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority - the change during the period in the net defined benefit liability (asset) that arises from the passage of time. Except in circumstances in which the net defined benefit liability (asset) is remeasured following a plan amendment, curtailment or settlement, the net interest expense is calculated by multiplying the net defined benefit liability (asset) at the beginning of the reporting period, by the discount rate used to measure the defined benefit obligation determined at the start of the reporting period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Where the net defined benefit liability (asset) is remeasured during a reporting period, following a plan amendment, curtailment or settlement, net interest for the remainder of the annual reporting period is determined on the basis of the remeasured net defined benefit liability (asset) and the discount rate used to remeasure that net defined benefit liability (asset). Interest cost on the current service cost is included in the current service cost component.
- remeasurements comprising:
 - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, and
 - the return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset)
 - the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Current service costs are allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

Past service costs are charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the Finance and Legal portfolio.

The net interest expense (or income) is included in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Remeasurements are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Employers contributions paid to the Cumbria Local Government Pensions Scheme in settlement of liabilities are not accounted for as an expense.

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In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the reporting period, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that transfers to and from the Pensions Reserve are required to remove the amounts charged or credited to the Surplus or Deficit on the Provision of Services under the Code and replace them with a charge equal to the cash paid to the pension fund and pensioners during the year and any such amounts payable but unpaid at the year-end.

A negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits, on the basis of retirement benefits payments and contributions payable to the Cumbria Local Government Pension Scheme for the reporting period in accordance with the statutory requirements governing the scheme, rather than as benefits are earned by employees.

Discretionary Benefits - LGPS

The Authority has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Discretionary post-retirement benefits on early retirement are an unfunded defined benefit. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

7. Events after the Reporting Period

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of the reporting period (the balance sheet date) and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- (i) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); the Statement of Accounts is adjusted to reflect such events
- (ii) those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period); the Statement of Accounts is not adjusted to reflect such events, but where a non-adjusting event is material, disclosure is made in the notes of the nature of the event and its estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

8. Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of the financial instrument.

A financial asset (or where applicable part of a financial asset) is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards of ownership are transferred.

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A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. A financial liability is also derecognised where a liability with an existing lender is exchanged for another with substantially different terms or the terms of an existing liability are substantially modified.

Financial assets and financial liabilities are initially measured at fair value plus directly attributable transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value and transaction costs expensed. Immaterial transaction costs on initial recognition are written off immediately to Surplus or Deficit on the Provision of Services. Trade receivables that do not contain a significant financing component and are initially measured at their transaction price (as defined in IFRS 15 *Revenue from Contracts with Customers*).

Classification and subsequent measurement of financial assets

For the purposes of subsequent measurement, financial assets are classified on initial recognition into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

Classification is determined by (i) the business model for managing the financial asset and (ii) the assets contractual cash flow characteristics.

Reclassification of financial assets

Financial assets are not reclassified subsequent to their initial recognition unless there is a change in the business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

Financial assets measured at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial recognition, financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method and are subject to impairment. Discounting is omitted where the effect of discounting is immaterial. The amortised cost is reduced by impairment losses.

Interest income calculated using the effective interest method, impairment losses and any gains or losses arising on derecognition or modification are included in the Financing and Investment Income and Expenditure (FIIE) line in the Comprehensive Income and Expenditure Statement (CIES).

For purchased or originated credit-impaired financial assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

Financial assets at amortised cost include trade receivables, call and notice accounts and other non-current financial assets.

Modification of the terms of a financial asset

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash discounted at the financial asset's original effective interest rate. A modification gain or loss is recognised in the Surplus or Deficit on the Provision of Services (within the Financing and Investment Income and Expenditure (FIIE) line in the CIES). Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial assets measured at fair value through other comprehensive income (FVOCI) - debt instruments

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, and impairment gains and losses (determined in the same manner as for financial assets measured at amortised cost) are recognised in the Surplus or Deficit on the Provision of Services (within the Financing and Investment Income and Expenditure (FIIE) line in the CIES). Other gains and losses are recognised in Other Comprehensive Income (OCI) (and taken to the Financial Instruments Revaluation Reserve). On derecognition, the cumulative gain or loss previously recognised in OCI is reclassified from reserves to Surplus or Deficit on the Provision of Services.

Financial assets measured at fair value through other comprehensive income (FVOCI) - equity instruments

On initial recognition an irrevocable election may be made to present subsequent changes in the fair value of an equity instrument, (that is not held for trading and is not contingent consideration of an acquirer in a business combination), in Other Comprehensive Income. The election is made on an instrument by instrument basis.

These assets are subsequently measured at fair value. Dividends are recognised as income in the Comprehensive Income and Expenditure Statement when the right of payment has been established, unless the dividend clearly represents a recovery of part of the cost of the investment. Other fair value gains and losses are recognised in Other Comprehensive Income (OCI) (and taken to the Financial Instruments Revaluation Reserve). On derecognition, the cumulative gain or loss previously recognised in OCI is not reclassified from reserves to Surplus or Deficit on the Provision of Services.

Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

The Authority has not elected to classify irrevocably, its non-listed equity investments under this category.

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Financial assets measured at fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured as FVTPL. Financial assets at fair value through profit or loss include:

- investments in equity instruments, unless designated as at FVOCI
- financial assets held within a business model other than 'hold to collect' or 'hold to collect and sell'
- financial assets whose contractual cash flows that are not solely payments of principal and interest, irrespective of the business model.

Financial assets at fair value through profit or loss are subsequently measured at fair value with net gains or losses, including any interest or dividend income, recognised in the Surplus or Deficit on the Provision of Services (within the Financing and Investment Income and Expenditure (FIIE) line in the CIES).

This category includes equity investments which the Authority has not irrevocably elected to classify at fair value through other comprehensive income, money market funds and debt instruments that do not meet the SPPI criterion.

Dividends on equity investments are recognised as income in the Comprehensive Income and Expenditure Statement when the right of payment has been established.

Movements in the fair value of equity investments that meet the definition of capital expenditure under statute are not proper charges to the General Fund. Any gains or losses in fair value included in the Comprehensive Income and Expenditure Statement in respect of these investments are therefore reversed out of the General Fund in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Impairment of financial assets (expected credit loss model)

The Authority recognises an allowance for expected credit losses on financial assets measured at amortised cost, debt instruments measured at FVOCI, lease receivables, trade receivables and contract assets, as well as on certain financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables and contract assets, the Authority applies a simplified approach and always recognises a loss allowance equal to lifetime expected credit losses. The expected credit losses on these financial assets are estimated using a provision matrix based on historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, impairments are recognised in three stages to reflect changes in credit risk since initial recognition:

- Stage 1 (Performing) - financial assets that have not deteriorated significantly in credit quality since initial recognition or that have a low credit risk at the reporting date
- Stage 2 (Underperforming) - financial assets that have deteriorated significantly in credit quality since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of a credit loss event
- Stage 3 (Non-performing/credit impaired) - financial assets that have objective evidence of impairment at the reporting date.

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For financial instruments at stage 1, the loss allowance is measured at an amount equal to the 12-month expected credit losses and interest income calculated on the gross carrying amount of the asset (i.e. without reduction for expected credit losses).

For financial instruments at stages 2 and 3, the loss allowance is measured at an amount equal to life-time expected credit losses. For financial instruments at stage 2, interest income is calculated on the assets gross carrying amount. For those at stage 3, interest income is calculated on the assets net carrying amount (i.e. reduced for expected credit losses).

12-month expected credit losses are the portion of the lifetime expected credit losses that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Authority is exposed to credit risk.

For debt instruments considered to have a low credit risk at the reporting date, the Authority measures the expected credit loss at an amount equal to the 12-month expected credit loss. The Authority considers a financial instrument to have a low credit risk where it has an external investment grade credit rating of not lower than of BBB- or equivalent. Financial instruments to which this practical expedient applies includes debt instruments classified as cash and cash equivalents.

For purchased or originated credit-impaired financial assets, only the cumulative changes in lifetime expected credit losses since initial recognition is recognised as a loss allowance.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Authority compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Authority considers all reasonable and supportable information (quantitative and qualitative) that is relevant and available without undue cost or effort. This includes historical experience, informed credit assessment and forward-looking information.

The Authority assumes there has been a significant increase in credit risk when contractual payments are more than 30 days past due, unless the Authority has reasonable and supportable information that demonstrates otherwise.

The Authority considers a financial asset to be in default when:

- there is a breach of financial covenants by the debtor
- contractual payments are more than 90 days past due (unless the Authority has reasonable and supportable information that demonstrates otherwise)
- internal or external information indicates the Authority is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Authority.

Credit-impaired financial assets

At each reporting date, the Authority assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the

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estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer
- a breach of contract such as a default or being more than 90 days past due
- the restructuring of a loan or advance by the Authority on terms that the Authority would not consider otherwise
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for expected credit losses in the Balance Sheet

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to the Surplus or Deficit on the Provision of Services and is recognised in Other Comprehensive Income and Expenditure. The loss allowance does not reduce the carrying amount of the financial asset.

Write-off

The gross carrying amount of a financial asset is written off (in full or in part) when there is no reasonable expectation of recovering the contractual cash flows e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. However, financial assets written off may still be subject to recovery activities. Any recoveries made subsequent to being written off are recognised in the Surplus or Deficit on the Provision of Services.

Measurement of Expected Credit Losses (ECLs)

Expected Credit Losses (ECLs) are a probability-weighted estimate of credit losses over the expected life of the financial instrument. The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

Expected Credit Losses are measured as the present value of all cash shortfalls (i.e. the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Authority expects to receive). ECLs are discounted at the original effective interest rate of the financial asset (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Public sector and non-contractual debts

A loss allowance for expected credit losses is not recognised on a financial asset where the counterparty is central government or a local authority for which relevant statutory provisions prevent default.

Debtors in respect of local taxation and other non-contractual debts are excluded from the scope of IFRS 9 - Financial Instruments: Recognition and Measurement. The write-off of uncollectable debts and allowance for impairment of doubtful debts for such items follow the incurred loss model for impairment.

Under the Incurred Loss Model, individually significant local taxation and other non-contractual receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually significant or which are not considered to be individually impaired are reviewed collectively for impairment in groups, determined by reference to shared credit risk characteristics.

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Where assets are identified as impaired because of a likelihood, arising from a past event, that payments due under the contract will not be made:

- the carrying amount of the financial asset is reduced by the impairment loss (measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate) and a charge made to the Comprehensive Income and Expenditure Statement
- interest income over the remaining term of the instrument is recognised by applying the original effective interest rate to the revised balance.

An allowance account is used to reduce the carrying amount of non-contractual receivables considered to be impaired (or in the case of a reversal of a write-down, an increase). Non-contractual receivables considered uncollectible are written off against the allowance account. Any difference between the amount written off and the impairment loss previously included in the allowance account is recognised in the Comprehensive Income and Expenditure Statement.

Subsequent reversals of a write-down or recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Comprehensive Income and Expenditure Statement.

Financial Liabilities

Classification and measurement

The Authority's financial liabilities include borrowings, trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument

For most of the Authority's borrowings, this means the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and the interest charged to the Comprehensive Income and Expenditure Statement, the amount payable for the year according to the loan agreement.

On derecognition of a financial liability, the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished or transferred to another party and the consideration paid and payable (including any non-cash assets transferred or liabilities assumed), is recognised in the Surplus or Deficit on the Provision of Services.

Modifications or exchanges of financial liabilities that do not result in derecognition

Where the terms of the loan debt exchanged are not substantially different or the modification of the terms of an existing liability is not 'substantial', the loan debt or financial liability is not accounted for as an extinguishment. If an exchange or modification does not result in an extinguishment:

- the difference between the carrying amount of the liability before the modification or exchange and the present value of the cash flows after modification (discounted at the original effective interest rate) is recognised in the

5: ACCOUNTING POLICIES

Comprehensive Income and Expenditure Statement as a gain or loss on modification

- any costs or fees paid or received adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Where premiums and discounts arising from the early repayment of loans have been charged to the Comprehensive Income and Expenditure Statement (rather than being accounted for as an adjustment to the carrying amount of the financial liability), regulations allow the impact on the General Fund Balance to be spread over future years. The difference between the amount charged or credited to the General Fund and the amount charged or credited to the Comprehensive Income and Expenditure Statement is reconciled by a transfer to the Financial Instruments Adjustment Account (FIAA) within the Movement in Reserves Statement.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are recognised as a liability at the time the guarantee is issued. The liability is measured initially at fair value and subsequently, at the higher of:

- the amount of the impairment loss allowance determined in accordance with IFRS 9 - Financial Instruments: Recognition and Measurement, and
- the amount initially recognised less, when appropriate, the cumulative amortisation recognised in accordance with the revenue recognition principles of IFRS 15 - Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

For a financial guarantee contract, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs, less any amounts that the Authority expects to receive from the holder, the debtor or any other party.

Financial guarantees entered into before 1 April 2006

Financial guarantees entered into before 1 April 2006 are not required to be accounted for as financial instruments. These guarantees are instead reflected in the Statement of Accounts only to the extent that provisions might be required, or a contingent liability note is needed, under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

9. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grant or contribution will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution

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are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied, are carried in the Balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to Capital Adjustment Account. Grants posted to the Capital Grants Unapplied Reserve are subsequently transferred to the Capital Adjustment Account when applied to fund capital expenditure.

Where the Authority is acting as an agent of a grant paying body (as opposed to acting as a principal), related transactions are not reflected in the Authority's financial statements, with the exception of cash collected or expenditure incurred by the Authority (agent) on behalf of the grant paying body (principal), in which case a debtor or creditor position is recognised in the Balance Sheet reflecting the difference between grant disbursements made and reimbursements received by the Authority. The net cash position is included in financing activities in the Cash Flow Statement.

10. Heritage Assets

Recognition

Tangible heritage assets are those assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. Intangible Heritage Assets are those assets with cultural, environmental, or historical significance. Operational heritage assets (i.e. those that, in addition to being held for their heritage characteristics, are also used by the Authority for other activities or to provide other services) are accounted for as operational assets, and valued in the same way as other assets of that type (for example property, plant and equipment)

The Authority's heritage assets include:

- historical sites, monuments and statues
- nature reserves
- civic regalia
- paintings and fine art (not forming part of museum collections)
- archive collection
- museum collections.

Measurement

Heritage assets are recognised on the Authority's Balance Sheet where it has information on cost or value. Where this information is not available and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, the assets are not recognised.

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Acquisitions of heritage assets are initially recognised at cost or if bequeathed or donated, at fair value as at the date of acquisition.

Subsequent to initial recognition, heritage assets are measured at valuation using a method of valuation that is relevant and appropriate (for example insurance valuations). Where it is not practicable to obtain a valuation (at a cost which is commensurate with the benefits to users of the financial statements), and cost information is available, the assets are measured at historical cost (less any accumulated depreciation, amortisation and impairment losses). Heritage assets recognised on the Authority's Balance Sheet are measured using the following bases:

- historical sites, monuments and statues, nature reserves - historical cost (less any accumulated depreciation, amortisation and impairment losses)
- civic regalia - insurance values based on current replacement cost
- collections - insurance values based on open market replacement cost for items of a comparable nature, age and condition
- intangible heritage assets - historical cost (less any accumulated depreciation, amortisation and impairment losses).

Information on cost or value is not available for historical sites, monuments and nature reserves. Accordingly, except for expenditure incurred on the acquisition, creation or enhancement of these assets on or after 1 April 2010, these assets are not reported as assets in the balance sheet.

Revaluation Gains and Losses

Where heritage assets are measured at valuation, there is no prescribed minimum period between valuations. The carrying amount is however reviewed with sufficient frequency to ensure that valuations remain current.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of an impairment or revaluation loss previously charged to the Surplus or Deficit on the Provision of Services.

Where the carrying amount of a heritage asset is decreased as a result of a revaluation, the decrease is recognised in the Revaluation Reserve up to the balance of revaluation gains for that asset included in the Revaluation Reserve and thereafter against the relevant service line in the Comprehensive Income and Expenditure Statement.

Revaluation gains or losses charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund. Such amounts are therefore transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Preservation Costs

Expenditure which, in the Authority's view, is required to preserve or clearly prevent further deterioration of individual collection items, is recognised in the Surplus or Deficit on the Provision of Services when it is incurred.

Depreciation and Amortisation

The majority of the Authority's tangible heritage assets have indefinite lives and therefore the Authority does not consider it appropriate to charge depreciation. Where a useful life can be identified, straight line depreciation is applied.

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Amortisation is provided for in relation to the Authority's intangible heritage assets by allocating the value of the asset in the balance sheet to the period expected to benefit from its use.

Impairment

The values of heritage assets are reviewed at the end of each financial year for evidence of impairment; for example, where an item has suffered physical deterioration or breakage or where doubt arises over its authenticity. Impairment losses are accounted for in accordance with the recognition and measurement requirements set out in sections 17- Property, Plant and Equipment and 11- Intangible Assets.

11. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow to the Authority.

Internally generated assets are recognised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are initially measured at cost. Thereafter, they are carried at cost less accumulated depreciation and any accumulated impairment loss. The depreciable amount of an intangible asset is amortised over its useful life in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment where there is an indication that the asset might be impaired. Any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not proper charges to the General Fund. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

12. Interests in Companies and Other Entities

In the Authority's single-entity accounts, interests in companies and other entities that meet the definition of a subsidiary, associate or jointly controlled entity, and are not classified as held for sale, are recorded at cost, less any provision for losses.

13. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the first-in first-out (FIFO) costing formula.

14. Investment Property

Investment properties are those properties that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. The fair value of investment property held under a lease is the lease interest. As a non-financial asset, investment properties are measured at highest and best use.

Investment properties are not depreciated but are revalued annually according to market conditions at the balance sheet date.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Under statutory accounting arrangements, gains or losses resulting from the revaluation or disposal of investment property are not proper charges to the General Fund. Such amounts are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

15. Joint operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

16. Leases

(i) The Authority as lessee

The Authority assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time. This includes arrangements with nil consideration, peppercorn or nominal payments.

The Authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through

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rights both to obtain substantially all the economic benefits or service potential from use of that asset throughout the period of use and to direct its use throughout that period.

Where a contract that is or contains a lease contains a lease component and one or more additional lease or non-lease components, the Authority allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The right to use an underlying asset is treated as a separate lease component if:

- the Authority, as lessee can benefit from use of the underlying asset on its own or together with other resources that are readily available to the Authority, and
- the underlying asset is not highly dependent or highly interrelated with other assets.

As a practical expedient, the Code permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Authority has not used this practical expedient.

The Authority applies a single recognition and measurement approach for all leases, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets.

Initial measurement

At the lease commencement date (i.e., the date the underlying asset is available for use, or the IFRS 16 implementation date if later), the Authority recognises a right of use asset and a corresponding lease liability.

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease or if that rate can be readily determined, the lease the Authority's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments less any lease incentives receivable
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the Authority is reasonably certain to exercise
- lease payments in an optional renewal period if the Authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early (i.e. if the lease term reflects the authority exercising an option to terminate the lease).

Unless included in the carrying amount of another asset, variable lease payments that do not depend on an index or a rate are recognised as expenses in the surplus or deficit on the provision of services in the period in which the event or condition that triggers the payment occurs.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments (prepayments) made at or before the

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lease commencement date less any lease incentives received, plus any direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease (where the obligation for those costs is incurred at the commencement of the lease), less any lease incentives received.

Right of use assets acquired under peppercorn, nominal or nil consideration leases, are initially measured at fair value at the commencement date. The difference between fair value of the right of use asset and the lease liability is recognised in the surplus or deficit on the provision of services.

The Authority presents right of use assets that do not meet the definition of investment property in property, plant and equipment.

Subsequent measurement

Right of use assets relating to a class of property plant and equipment are subsequently measured at current value, using the cost model as a proxy for current value, except for:

- assets held under non-commercial leases (i.e. right of use assets acquired under peppercorn, nominal or nil consideration leases)
- right of use assets associated with (i) longer-term leases (i.e. a lease term of more than five years) that contain no provisions to update lease payments for market conditions (such as rent reviews), or where there is a significant period of time between those updates (i.e. more than five years), and (ii) the fair value or current value in existing use of the underlying asset is likely to fluctuate significantly due to changes in market prices.

Where the cost model is appropriate right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right of use assets are also adjusted to for any changes in the estimated costs of dismantling, removal or restoration. Impairment losses are accounted for in accordance with the policy described in the 'Property, Plant and Equipment' policy.

For leases where the use of the cost model is not appropriate, the underlying asset is carried at a revalued amount. Remeasurements of the carrying value of these assets are accounted for using the policies applied generally to that class of property plant and equipment.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the underlying asset. If ownership of the leased asset transfers to the Authority at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right of use assets that meet the definition of investment property are measured at fair value and accounted for in accordance with the 'Investment Property' accounting policy.

Subsequent to initial measurement, lease liabilities are measured at amortised cost, using the effective interest method. The carrying amount of a lease liability is increased to reflect interest charged at a constant rate on the balance outstanding and reduced for lease payments made.

In addition, the carrying amount of a lease liability is remeasured if there is:

- a change in the lease term (including changes arising from reassessment of an extension or termination option) or change in the assessment of an option to

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purchase the underlying asset in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate

- a change in the lease payments due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)
- a modification of a lease contract and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification
- there is a revision to in-substance fixed lease payment in which case an unchanged discount rate is used unless a revised discount rate better reflects the circumstances of the revision.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, any remaining amount of the remeasurement is recognised in the surplus or deficit on the provision of services.

Low value and short-term leases exemption

In accordance with the Code, right of use assets and lease liabilities are not recognised in relation to:

- short-term leases (i.e. those leases that have a lease term (comprising the non-cancellable period plus any periods covered by an option to extend if the Authority is reasonably certain to exercise that option and an option to terminate if the Authority is reasonably certain not to exercise) of 12 months or less from the commencement date and do not contain a purchase option) and
- leases of low-value underlying assets (i.e. the value of the underlying asset when new is £10,000 or less, regardless of the age of the asset being leased) provided:
 - the Authority, as lessee can benefit from use of the underlying asset on its own or together with other resources that are readily available to the Authority, and
 - the underlying asset is not highly dependent or highly interrelated with other assets
 - in the case of a headlease the Authority does not sub-lease or expect to sub-lease the asset.

Payments associated with these leases are recognised as an expense in surplus or deficit on the provision of services on a straight-line basis over the lease term (or other systematic basis if that basis is more representative of the pattern of the benefits accruing to the Authority as the lessee).

Lease expenditure

Amounts included in the Comprehensive Income and Expenditure Statement in respect of right of use assets and associated lease liabilities include within:

Net cost of services:

- depreciation charge for right-of-use assets classified as property, plant & equipment

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- the expense relating to short-term leases and leases of low value assets
- the expense relating to variable lease payments not included in the measurement of lease liabilities
- income from subleasing right-of-use assets classified as property, plant & equipment
- gains or losses arising from sale and leaseback transactions
- revaluation gains and losses and impairment losses
- gains arising from remeasurement of a lease liabilities
- gains on initial recognition of a lease with peppercorn or nominal lease payments, or for nil consideration

Financing and investment income and expenditure:

- interest expense on lease liabilities
- income from subleasing right-of-use assets classified as investment property
- revaluation gains and losses for right-of-use assets classified as investment property.

Depreciation, revaluation or impairment losses charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund. Such amounts are therefore transferred from the General Fund to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Gains recognised in the comprehensive income and expenditure statement in connection with entry into a lease with peppercorn or nominal lease payments, or for nil consideration, are not a proper credit to the general fund. Such amounts are reversed out of the general fund balance to the capital adjustment account in the Movement in Reserves Statement.

The Authority is however required to make an annual contribution, from revenue, towards the deemed capital cost of expenditure funded by credit arrangements such as on-balance sheet leasing arrangements. This contribution is known as the Minimum Revenue Provision (MRP) and is calculated on a prudent basis in accordance with statutory guidance.

The Minimum Revenue Provision does not appear in the Comprehensive Income and Expenditure Statement but is instead charged to the General Fund by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

(ii) The Authority as lessor

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the underlying asset from the lessor to lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

When the Authority is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Finance leases

Where the Authority grants a finance lease over a property, or an item of plant or equipment, the underlying asset is written out of the Balance Sheet as a disposal. At the

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commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line (PPE or Assets Held for Sale) or Financing and Investment Income and Expenditure line (Investment Property) in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement, as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a receivable (long-term debtor) in the Balance Sheet.

Lease rentals receivable are apportioned between:

- repayment of principal - applied to write down the lease debtor (together with any premiums received), and
- finance income - credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

Finance income, recognised over the lease term, is calculated so as to produce a constant periodic rate of return on the net investment.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to Deferred Capital Receipts Reserve in the Movement in Reserves Statement.

When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor and a corresponding transfer made to transfer the deferred capital receipt to the Capital Receipts Reserve.

The carrying amount of an asset (or component of an asset), written off to the Comprehensive Income and Expenditure Statement on disposal, is not a proper charge to the General Fund as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Such amounts are therefore appropriated from the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Operating leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the underlying asset is retained in the Balance Sheet. Rental income is credited to the relevant service line (Property, Plant & Equipment) or Financing and Investment Income line (Investment Property) in the Comprehensive Income and Expenditure Statement.

Rental income from operating leases is recognised on a straight-line basis over the lease term, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the leased asset and charged as an expense over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

17. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

18. Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year, are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are subsequently carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction - depreciated historical cost

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- surplus assets - current value measured using fair value, estimated at highest and best use from a market participant's perspective
- all other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset and/ or the asset is rarely sold, depreciated replacement cost (DRC) is used as an estimate of current value.

Non-property assets that have short useful lives or low values (or both) are measured on a depreciated historical cost basis as a proxy for current value.

Assets measured at current value are subject to a rolling programme of valuations over a five-year cycle, with annual indexation applied to assets during the four intervening years. Where the Authority is unable to obtain indices without undue cost or effort, those assets are revalued using a quinquennial revaluation, with a desktop revaluation in year three.

Increases in valuations (including those arising from the application of annual indexation), other than those that arise from the reversal of an impairment or revaluation loss previously charged to the Surplus or Deficit on the Provision of Services, are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Revaluation gains that arise from the reversal of an impairment or revaluation loss previously charged to the Surplus or Deficit on the Provision of Services, are credited to the Surplus or Deficit on the Provision of Services to the extent required to reinstate the carrying amount that would have been determined (net of amortisation or depreciation) had no revaluation decrease been recognised for the asset in prior years.

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation (including decreases arising from the application of annual indexation), the decrease is recognised in the Revaluation Reserve up to the balance of revaluation gains for that asset included in the Revaluation Reserve and thereafter against the relevant service line in the Comprehensive Income and Expenditure Statement.

Revaluation gains or losses charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund. Such amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only - the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where an impairment loss is identified on an asset carried at a revalued amount, the impairment loss is recognised in the Revaluation Reserve, up to the balance of revaluation gains for that asset included in the Revaluation Reserve and thereafter against the relevant service line in the Comprehensive Income and Expenditure Statement. An impairment loss on an asset with a carrying value based on historical cost

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is recognised against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss, previously recognised in Surplus or Deficit on the Provision of Services, is subsequently reversed, the reversal is credited to the relevant service lines in the Comprehensive Income and Expenditure Statement, up to the amount required to reinstate the assets carrying amount (net of depreciation) had no impairment loss been recognised in prior years. Any increase in the assets carrying value above this amount is treated as a revaluation gain and credited to the Revaluation Reserve.

Impairment losses and reversal of impairment losses charged to the Surplus or Deficit on the Provision of Services are not proper charges to the General Fund. Such amounts are therefore transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. Assets Under Construction).

Depreciation is calculated on the following bases:

Asset class	Depreciation method	Remaining Useful life
Operational Buildings & Surplus Properties	straight-line	2-60 years
Infrastructure Assets	straight-line	1-80 years
Operational Vehicles & plant	straight-line	1-50 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, each component is depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation charged to Surplus or Deficit on the Provision of Services is not a proper charge to the General Fund. Such amounts are therefore transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

19. Disposals of PPE and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset (PPE) will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification (except where the asset is normally measured at depreciated historical cost) and then carried at the lower of this amount and fair value less costs to sell.

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset (or component of an asset) is disposed of or decommissioned, the carrying amount of the asset (or component of an asset) in the Balance Sheet (whether PPE or Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Where it is not practicable to determine the carrying amount of a replaced or restored component of an asset, the Authority uses the cost of the replacement component to estimate the cost of the replaced component at the time it was acquired or constructed (adjusted for depreciation and impairment if required). Receipts from disposals (if any) are credited to the same line as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and can only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Capital receipts arising from disposals are therefore appropriated to the Capital Receipts Reserve from the General Fund balance in the Movement in Reserves Statement.

The carrying amount of an asset (or component of an asset) written off to the Comprehensive Income and Expenditure Statement on disposal is not a proper charge to the General Fund, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Such amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

20. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are recognised where:

- the Authority has a present obligation (legal or constructive) as a result of a past event
- it is probable that an outflow of economic benefits or service potential will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account the risks and uncertainties. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year in which the conditions for recognition are met. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim) this is only recognised as income if it is virtually certain that reimbursements will be received if the Authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either:

- it is not probable that an outflow of economic benefits or service potential resources will be required, or
- the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence of one or more uncertain future events, not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

21. Reserves

The Authority sets aside specific amounts as earmarked reserves to meet future spending commitments or to cover contingencies. Earmarked Reserves are created by transferring amounts out of the Un-earmarked General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from an earmarked reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. A transfer is then made from the earmarked reserve to the Un-earmarked General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement benefits and employee benefits. These reserves do not represent usable resources for the Authority.

22. Revenue Expenditure Funded from Capital under Statute

Expenditure required to be treated as capital expenditure under statutory provisions, but which does not result in the creation of non-current assets, is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement. Where the Authority has determined to meet the cost of this expenditure from capital resources or by borrowing, the amount charged to services is reversed out by way of a transfer from the General Fund balance to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

23. Service Concession Arrangements (PFI/PPP)

Service Concession Arrangements including PFI and similar arrangements are contractual agreements between a local authority and an operator in which:

- a) the operator uses the service concession asset to provide a public service on behalf of the local authority for a specified period of time, and
- b) the operator is compensated for its services over the period of the service concession arrangement,

As the Authority is deemed to:

- control the services that are provided under its service concession arrangements, and
- as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts

the Authority recognised the assets used under the contracts on its Balance Sheet within property, plant and equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets related to these contracts and recognised on the Balance Sheet are subsequently revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

Subsequent to initial recognition, the service concession arrangement liability is measured in following the principles set out in Section 4.2 of the Code and IFRS 16 *Leases* (i.e. following the arrangements for measurement of the lease liability).

The amounts payable to the service concession operators each year are analysed into four elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – i.e. the interest charge on the outstanding Balance Sheet liability, - debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability (with the profile of write-downs calculated using the same principles as for a lease liability)
- lifecycle replacement costs – either recognised immediately as additions to Property, Plant and Equipment on the Balance Sheet when the relevant works are carried out, or posted to the balance sheet as a prepayment by setting aside a proportion of the unitary payment each year for the costs that are planned eventually to be incurred and then recognised as additions to PPE when the relevant works are carried out. Where it is not possible to evidence that lifecycle replacements costs meet the capital expenditure definition, then they are treated as revenue and debited to the relevant service in the Comprehensive Income and Expenditure Statement

24. Schools

The Code confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority single entity financial statements (and not the group accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the Authority as if they were the transactions, cash flows and balances of the Authority.

Maintained schools include Community schools, Voluntary aided, Voluntary controlled and Foundation schools, Maintained nurseries and community and foundation special schools. Other types of schools, such as academies and free schools are outside of the Council's control and therefore not included in the Authority's Statement of Accounts.

Accounting for Schools - Transfers to Academy status

When a maintained school transfers to Academy status the Authority has no continuing interest in the school as an entity and does not receive a consideration on transfer. The Authority therefore accounts for this as a disposal for nil consideration, on the date the school converts to Academy status. The resultant gain or loss is recognised in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

When a maintained school converts to an Academy, the school's non-current assets held on the Authority's Balance Sheet are treated as a disposal. The carrying value of the asset is written off to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off asset value is not a charge against the General Fund, as the cost of non-current asset disposals resulting from schools transferring to an Academy status is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

25. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income.

26. Fair Value Measurement

The Authority measures some of its non-financial assets such as investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique.

5: ACCOUNTING POLICIES

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability is not adjusted for transaction costs.

The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible.

The fair value measurement of financial liabilities assumes that a financial or non-financial liability is transferred to a market participant at the measurement date. The transfer assumes that the liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.

The Authority uses valuation techniques to measure fair value that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities where fair value is measured or disclosed in the financial statements, are categorised within the following fair value hierarchy, based on the lowest level input to valuation techniques that is significant to the fair value measurement as a whole:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

For the purpose of fair value disclosures, the Authority has determined appropriate classes of assets and liabilities on the basis of (a) the nature, characteristics and risks of the asset or liability; and (b) the level of the fair value hierarchy within which the fair value measurement is categorised.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Authority determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Annual Governance Statement

1. Executive Summary

- 1.1 The Annual Governance Statement (AGS) is a review of our activities to ensure that Cumberland Council has appropriate governance arrangements in place to deliver its functions effectively. The quality of our governance arrangements is paramount to enable the council to make decisions using high-quality information supported by a comprehensive understanding of risk.
- 1.2 Governance comprises the systems and processes, culture and values by which the Council is directed and controlled, and through which it is accountable to, engages with and leads the community. The Council has a local [Code of Corporate Governance](#) which explains the Council's governance framework and should be read alongside the AGS. Each year, the Council conducts a [review](#) of its effectiveness against the Code of Corporate Governance.
- 1.3 Finally, the Annual Governance Statement Action Plan is attached at Appendix 1. It should be noted this is based on the Council's improvement plan, as monitored by the improvement panel, as this was the central point for identified areas of governance improvements during 2025/26.
- 1.4 Our risk management framework is a key part of our governance arrangements and provides assurance that:
 - our business is conducted in accordance with all relevant laws and regulations;
 - public money is safeguarded and properly accounted for;
 - resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.
 - the Council is able to respond effectively to emerging risk issues.
- 1.5 The Council is committed to improving governance through a process of continual evaluation and review, delivered through the seven principles of good governance as identified in the Delivering Good Governance in Local Government Framework 2016 and supported by the council's Constitution and processes which strengthen corporate governance.
- 1.6 Our system of internal control is designed to manage risk to a reasonable level and is based on an ongoing process to identify and manage risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically. It cannot eliminate all risk of failure but provides reasonable assurance of effectiveness.
- 1.7 This statement explains how the Council has discharged its governance responsibilities during the period 1 April 2025 to 31 March 2026, outlines key elements of the governance framework, and identifies areas for development for 2026/27 and beyond.
- 1.8 In summary, the Local Code of Corporate Governance demonstrates that the Council has arrangements in place to support the seven principles of good governance. After considering the assessments completed as part of this annual review process, the Council's governance arrangements are in place and operating effectively to support these principles and the delivery of the Council's objectives and priorities and to meet the Council's duty to secure Value for Money.

- 1.9 The Council has identified some areas where improvement is needed, which have been monitored through the year by the Improvement Panel. An Action Plan (**Appendix 1**) has been prepared based on the improvement panel and further areas of improvement identified in this review of governance arrangements.

2. Governance Framework

- 2.1 The Council's governance framework comprises systems, processes, culture and values by which it is directed and controlled, aligned with the CIPFA/SOLACE principles of good governance.
- 2.2 Key elements of the council's governance framework, which have been in place throughout 2025/26 are set out below:

Leader and Executive governance model

The Council operates a leader and Executive model of governance in which the Leader and Executive are responsible for all of the council's executive functions except those required by law or the Constitution to be undertaken by full Council

Decision Making

Decisions may be taken by full Council, Executive, individual Executive Members (for decisions that sit within their portfolio areas), Committees and Sub-committees and Officers who have been delegated specific responsibilities in accordance with the council's scheme of delegation and financial procedure rules. There is an approved governance process for each type of decision, supported by the legal requirements and provisions set out in the council's Constitution.

Statutory officers

- Head of Paid Service (Chief Executive): responsible for the operational management, leadership and strategic direction of the council, alongside the management and performance of the Senior Leadership Team.
- Monitoring Officer (Chief Legal Officer): responsible for maintaining the Constitution and ensuring that functions act in accordance with the Constitution and relevant legal requirements. These arrangements include overseeing the ethical conduct of the council and the production of associated codes, conventions and protocols.
- Section 151 Officer (Chief Finance Officer): responsible for the oversight and delivery of financial management arrangements; achieved through a robust financial control framework, financial procedure rules and a scheme of delegation.
- Senior Leadership Team: collectively responsible for ensuring that governance arrangements are in place and adhered to and provides strategic leadership and direction.
- Head of Internal Audit and Risk Management: leads an independent and objective Internal Audit function and provides an independent and objective opinion on the council's governance, risk management and control environment; evaluating effectiveness through a risk-based approach. The annual Internal Audit Plan comprises operational audit reviews, investigations of suspected corporate fraud, annual review of key financial system controls, IT audits, assurance work and any other special or unplanned review, aligned to the council's corporate risks.

- Statutory Scrutiny Officer: responsible for promoting the role of the Council's scrutiny committees within the Council and providing guidance and support to Scrutiny Members. The role cannot be, and is not, held by any of the Head of Paid Service, Monitoring Officer or s151 Officer.

Scrutiny Committees

The Council has four Overview and Scrutiny Committees which develop policy, carry out reviews of council and other local services, provide effective challenge and hold decision makers to account for their actions and decisions. Membership of Scrutiny Committees cannot be held by members of the Executive.

Standards and Governance Committee

The Council's Standards and Governance Committee comprises eight members of the Council and promotes and maintains high standards of conduct by Councillors, including advising the Council on revisions to the Code of Conduct and determining Code of Conduct complaints through its Hearings Panel. The Committee has established a Constitution Working Group which advises the Council on changes to the Constitution.

Audit and Risk Committee

The Council's Audit and Risk Committee comprises six non-Executive members of the Council alongside an independent member and independent Chair. The Committee provides independent assurance on the adequacy of the risk management framework and internal controls. The Committee considers annual audit plans and reports of internal and external auditors.

Internal and External Audit functions

External Audit provides an opinion on the council's annual Statement of Accounts and review the council's Value for Money (VFM) arrangements which are designed to secure economy, efficiency and effectiveness in its use of resources.

Internal Audit provides an independent and objective opinion on the council's governance, risk management and control environment; evaluating effectiveness through a risk-based approach. The annual Internal Audit Plan comprises operational audit reviews, annual review of key financial system controls, ICT audits, assurance work and allows contingency time for any other special or unplanned review, aligned to the council's corporate risks.

Risk Management

The Council's has a risk management framework devised to ensure effective risk management is embedded. A risk improvement plan is in place to delivery the framework on a continuous improvement basis.

Counter-Fraud

The Council has a Counter-Fraud Policy & Strategy and a Confidential Reporting Policy in place, both approved by Audit Committee. A counter-fraud plan (as part of the internal audit plan) is in place to deliver the strategy. The Audit & Risk Committee receive an annual fraud report summarising counter-fraud activity undertaken in the year, including a summary of confidential reporting.

Performance Management

The Performance Management framework, including Service Standards, ensures elected Members and officers monitor performance in key service areas on a regular basis.

Information Governance

The Council has an Information Governance Framework including guidance on various requirements of the General Data Protection Regulation (GDPR) and domestic data protection legislation, information governance risk assessments, the retention of records and, continues to develop records management arrangements. The Council has an appointed SIRO and Data Protection Officer and regular SIRO meetings take place, with an annual report presented to Audit & Risk Committee on 08th June 2026. Annual health checks are in place for ICT Security and the Council maintained it's compliance with the Public Services Network certification and delivers regular mandatory training to all officers and members.

3. Review of Effectiveness

- 3.1 The Council has undertaken a review of effectiveness of its governance arrangements during 2025/26, informed by senior officers, and managers with responsibility for the design and maintenance of an effective governance environment. It is also informed by the work of Internal Audit and the annual opinion provided by the Head of Internal Audit, annual reports of Committee chairs and the findings of external assessments from external audit, inspectorates, regulators and the MHCLG commissioned CIPFA external assurance review.
- 3.2 Effectiveness is monitored and evaluated throughout the year, in a variety of for a and using a range of evidence. Activity undertaken includes:
- **Senior Leadership Team (SLT):** Responsibility for governance and internal control lies with the Chief Executive and SLT, which meets on a weekly basis to steer the Council's activity.
 - **Scrutiny and challenge by Council and its Committees:** The Council has four bodies responsible for monitoring and reviewing the Council's governance(as outline above).
- 3.3 The following evidence was considered to identify the Council's key governance challenges looking ahead to 2025/26: These sources include:
- The strategic risk register identified key risks to the achievement of the Council's strategic objectives with cyber-security and financial sustainability remaining as severe rated risks, while increasing demand on Children's Service and Workforce Capacity remain significant. Of greatest concern during 2025/26 was the risks to workforce Health and Safety, which was increased to critical following reviews by internal audit, HSE and an external consultant.
 - Issues raised through the Council's confidential reporting policy, as covered in lessons learned reviews of investigations and considered in the (confidential) annual fraud report presented to Audit Committee in July 2027.
 - Matters identified in reports and notices from external agencies.
 - The Information Commissioner's Office issued a practice recommendation, and subsequently an Enforcement Notice, which identified failures in the Councils handling of Freedom of Information requests.
 - Correspondence from the Office of the Transport Commissioner identified areas of non-compliance with the Council's Operating Licence.
 - The Health and Safety Executive carried out a series of inspections to assess the Council's compliance with Control of Asbestos Regulations and identified

failings which are likely to result in an Improvement Notice being issued against the Council

- The statutory recommendation issued by Grant Thornton in 2024/25 in relation to the capacity and capability of the Council's Finance function in relation to its ability to deliver the accounts in line with statutory deadlines and ensure a financially sustainable Council.
- An External Review by CIPFA, which was a mandatory requirement of the Councils 2023/24 application for Exceptional Financial Support.
- Statutory Officer Group, comprising the Chief Executive, Monitoring Officer and s151 officer, meets fortnightly to identify and discuss emerging governance issues.
- Corporate Governance Group, comprising senior officers with responsibility for governance, meets fortnightly to oversee and manage governance issues and actions from internal audit reports and other external recommendations.

Head of Audit and Risk Management Annual Opinion 2025/26:

3.4 The 2025/26 internal audit plan was devised to focus on the key Governance, Risk Management and Internal Control priorities. Progress against the plan was reported to Audit and Risk throughout the year, including publication of all Internal Audit reports and activity. Two limited audit reports were delivered in 2025/26:

- Health and Safety (Governance)
- Asset Management Strategy

3.5 Workforce capacity remained a common theme in internal audit reports during 2025/26

3.6 An annual Head of Internal Audit Opinion of the effectiveness of the Council's overall arrangements for Governance, Risk Management and Internal Control frameworks, based on delivery of the annual plan. *[The opinion expected to be provided at 27th July 2026 Audit Committee and will be summarised here].*

External Auditor's Review of the Effectiveness of Governance Arrangements:

3.7 The Council's external auditor is Grant Thornton who submits progress reports and their Annual Audit Letter to Audit & Risk Committee. As part of their 2024/25 Value for Money review External Audit highlighted the importance of strengthening medium-term financial planning, ensuring timely production of accounts, and maintaining robust arrangements for value for money and recommendations made were progressed and reported to the Improvement Panel during 2025/26.

3.8 *[The 2025/26 Value for Money report is expected to be provided at the 1 December 2026 Audit and Risk Committee and will be summarised here].*

CIPFA Financial Management Code 2019 (FM Code):

3.9 The Council is in the process of carrying out a credible and transparent financial resilience assessment and is being supported in this by CIPFA. This includes consideration of the CIPFA Financial Resilience Index.

Annual Report of the Chair of Audit & Risk Committee

3.10 The Annual Report to Council is a principal source of assurance that the Council has proper systems of internal control in place.

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Annual Report of the Standards & Governance Committee:

3.11 The Council is committed to promoting the highest standards of conduct by members and has adopted a Code of Conduct for all members as part of its Constitution. The Annual Report is one of the Council's sources of governance assurance.

Improvement Panel:

3.12 Due to the number of challenges faced following LGR, including around financial sustainability, the Council applied for Exceptional Financial Support to enable transformation of services. It was a condition of the application that the Council established an externally chaired Improvement Panel. This panel meets regularly and reports to the Council via its Audit & Risk Committee, and is a key source of reassurance that the Council is exercising financial control.

Governance of Significant Partnerships:

3.13 Work is underway to review the governance arrangements of the Council's significant partnerships, including the Register of Significant Partnerships and annual self-assessment of each partnership to provide assurance that effective arrangements are in place, and to highlight any governance challenges which need to be addressed.

Commercial Governance:

3.14 The Council has oversight and assurance of its governance in relation to companies and charities it is party to via the Shareholder and Trustee Committee. The recruitment of the Chief Innovation and Commercial Officer has provided an opportunity to review these arrangements and to include regular performance reporting of Joint Ventures, loans and equity investments. This work, when complete, will ensure that the expected governance standards are met.

3.15 The results of the annual [review](#) of effectiveness are set out below and demonstrate how the council has complied with its Code of Corporate Governance, including the seven core principles of the CIPFA/ SOLACE Delivering Good Governance in Local Government Framework.

Assessment of the effectiveness of governance arrangements during 2025/26		
	Core Principle	Evidence of Compliance
A	Integrity and ethical behaviour	We have arrangements in place to provide assurance that our values are upheld, and that members and officers demonstrate high standards of conduct and behaviour to comply with laws and regulations. These include: Constitution Member Code of Conduct Codes and Protocols including role profiles for councillors Member training programme Officer Code of Conduct Registers of gifts and hospitality and conflicts of interest Recruitment and HR procedures Statutory Officers in post Confidential reporting policy Corporate complaints policy

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Assessment of the effectiveness of governance arrangements during 2025/26		
	Core Principle	Evidence of Compliance
B	Openness and stakeholder engagement	<p>The Chief Executive and Senior Leadership Team are committed to ensuring that employee feedback is sought, listened to and acted upon. To promote engagement, maintain effective employee relations and share information, regular all staff briefings are hosted by the Chief Executive and weekly staff updates via email share staff news, wellbeing advice and other important messages.</p> <p>All Committee meetings are open to the public, unless exempt material is under consideration, and a public participation scheme is in operation. Decisions are made on consideration of a full report which is publicly available, unless it contains exempt material, and the Leader's forward plan of key decisions is published on the Council website.</p> <p>The Council plan sets out the Council's priorities and strategic vision, supported by a delivery plan, and progress against the delivery plan is monitored through quarterly performance reports.</p> <p>The Council undertakes regular consultation and engagement with the public and stakeholders through a variety of methods and has a communication team which keeps the public informed about Council work.</p>
C	Sustainable outcomes	<ul style="list-style-type: none"> • Council Plan • Target Operating Model and Values • Performance Management Framework • MTFP • Improvement Panel and Single Improvement Plan • Transformation Programme
D	Effective interventions	<p>The Council and Leaders Schemes of Delegation and the Constitution set out the parameters for decision making and ensure that consideration is given to governance and financial implications.</p> <p>Decisions are subject to Equality Impact Assessments and consultation where required.</p> <p>Risk Management Framework and Strategic Risk Register ensure that controls are in place and kept under review, with decision making reports linking back to impact on strategic risks.</p>
E	Capacity and capability	<p>Clear oversight of organisation operational capacity through:</p> <p>Executive Senior Leadership Team Employment Procedure Rules HROD team and policies Apprenticeship scheme</p>
F	Risk management and internal control	<p>Risk Management Framework Dedicated Risk Manager Performance Management Framework (KPIs) Reports to Audit and Risk Committee/ Business and Resources Scrutiny Committee, SLT and JLT Counter fraud and Anti-Money Laundering policies Confidential Reporting policy Safeguarding arrangements</p>

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Assessment of the effectiveness of governance arrangements during 2025/26		
	Core Principle	Evidence of Compliance
		Financial management systems Constitution MTFP Centralised procurement service Dedicated Information Governance team and mandatory training Health and Safety policy Local Government Transparency Code Dedicated Information Security team and mandatory training SIRO Group meets quarterly, or more frequently as necessary AGS
G	Transparency and accountability	All Committee meetings are open to the public, unless exempt material is under consideration, and a public participation scheme is in operation. Decisions are made on consideration of a full report which is publicly available, unless it contains exempt material, and the Leader's forward plan of key decisions is published on the Council website. Executive has oversight of performance against Council priorities and financial performance. Publication of annual statement of accounts. Effective internal audit function is in place – annual self assessment carried out as well as external quality assessment every five years. External Audit reports directly to Audit and Risk committee throughout the year.

3.16 Where it is recognised that governance arrangements could be further strengthened, are included as part of the detailed action plan at **Appendix 1**. This action plan is based on the Council's existing improvement plan, which was in a response to various previously identified governance improvements. Progress against the plan will be reported to Audit and Risk Committee to ensure that work is undertaken to deliver the identified improvements.

4. Significant Governance Issues

- 4.1 As the Council approaches its fourth year, it continues to have an ambitious programme of transformation and reform across all its services. The Council recognised early on that, in order to deliver services to residents which are efficient, effective and deliver value for money using available resources, there is a need for system-wide innovation.
- 4.2 During the year 2025/26 the Chief Executive restructured his Extended Leadership Team, reducing the headcount. Work is now underway to commence a Voluntary Redundancy exercise across all Council service areas and at all levels of the organisation.
- 4.3 The transformation programme and VR exercise must have regard to existing workforce capacity issues and simultaneously explore innovative digital technologies to drive efficiency, in order that service delivery and statutory compliance does not falter.
- 4.4 The Council's Corporate Plan Delivery Plan (CPDP) sets out its priority actions for delivering the strategy for Cumberland. Key challenges for the Council include

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breaking down silos, demonstrating effective leadership, working in partnership, developing the supply chain across anchor institutions, harmonising services across Cumberland, developing the Cumberland culture and building the workforce with the right skills and attributes. Effective leadership and governance of the response to these challenges is critical to achieve the five themes in the Council Plan and improve outcomes for residents.

- 4.5 The Council has a Single Improvement Plan, which pulls together all the actions required by internal and external reviews, including the Grant Thornton Audit Report and statutory recommendation, CIPFA reviews of 2023 and 2024, strategic planning processes and MTFP. As the Council faces further challenges from reduced funding, including the Fair Funding Review, it remains crucial to monitor and review these actions, to keep financial sustainability as the primary focus.

5. How did our Governance improve in 2025/26

- 5.1 The Improvement Panel met regularly during 2025/26 to provide support and oversight of the Single Improvement Plan. Key areas of work included addressing the increased demand in Children's Services and support from the LGA was provided to the Director of Children's Services to identify areas where improvements could be made.
- 5.2 A staff directory has been published for members and staff to refer to and includes officers with responsibility for all services to Senior Manager level.
- 5.3 Work has continued to harmonise job descriptions and pay scales. The Our Future Cumberland has produced a reduced number of role profiles and completed its assessment of existing posts, and is progressing to high level assessment of future structure design.
- 5.4 A comprehensive counter fraud strategy has been developed and the anti-money laundering policy has been revised and approved. The confidential reporting policy has been subjected to annual review and has been widely communicated to staff.

6. Areas for Improvement in 2026/27

- 6.1 As the Council continues to disaggregate its hosted services and legacy systems following LGR, it continues to embed its governance arrangements.
- 6.2 Financial sustainability remains the Council's primary challenge going into 2025/26, particularly in relation to demand-led services. The Council has agreed a balanced budget, predicated on savings targets, and will need to continue to closely monitor the outturn position and achievement of savings targets throughout the year. Financial and decision making governance must be exercised around areas of high spend, such as the use of agency workers, and transformation projects to ensure savings are achieved and this is the collective responsibility of all the Senior Leadership Team.
- 6.3 The Council is due to embark on a voluntary redundancy exercise, across the whole of the council, primarily to achieve financial savings but also to support the Our Future Cumberland transformation project. Clear governance needs to be put in place around this to ensure that workforce capacity (which remained a common underlining theme in negative internal audit reports) and resilience is not undermined at the cost of service delivery and statutory compliance.
- 6.4 Due to the number of challenges faced following LGR, including around financial sustainability and the request for Exceptional Financial Support (EFS), an external review was carried out in 2025/26 by CIPFA on behalf of MHCLG. The review

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identified a number of actions which have been captured in a Single Improvement Plan alongside actions which are required following the External Auditor's Statutory Recommendations. The Single Improvement Plan is overseen by the externally chaired Improvement Panel which reports to the Council via its Audit & Risk Committee. Consideration needs to be given to an exit strategy for the Improvement Panel and how the actions can continue to be monitored and updated moving into 2026/27.

- 6.5 The council has approved an ambitious capital programme for 2026/27 with significant activity planned to progress major and capital projects in 2026. Robust monitoring of capital project delivery in 2026/27 will be required to identify and mitigate risks to project budgets, delivery of benefits and potential loss of grant funding. Project assurance reviews and planned improvements to the development of business cases will ensure that investment decisions deliver economy, efficiency and effectiveness in the use of resources.
- 6.6 Committee reports continue to be submitted at or approaching the statutory deadline, which does not adequately allow for scrutiny and input of advice from the Council's statutory officers. Further, while key decisions are published 28 days ahead of the decision being taken, these decisions are often added to the Leader's forward plan at the latest possible date, or are moved within the plan, which does not allow for effective scrutiny or for public engagement and creates additional pressure on statutory officers and their teams.
- 6.7 The Council needs to continue its review of its wholly owned companies and other vehicles to ensure these remain appropriate to the Council's priorities, and needs to develop its approach to key partnerships, to ensure that appropriate oversight is in place.
- 6.8 The assessment under the FM Code is underway but should be concluded during 2026/27.
- 6.9 While the Council has a register for officer conflicts of interest, which is communicated to staff twice annually, it appears to be underused and an alternative approach to communication and compliance needs to be taken. Work should be carried out to review the form itself so that it is clear what needs to be declared.
- 6.10 Notices served by external agencies, and internal audits providing limited assurance, have brought into focus those areas which are under-resourced or where compliance with health and safety is an issue. Priority must be given to these areas to ensure that a culture of safety and compliance is embedded,
- 6.11 Finally, 2027 will be a key election year for the Council, as it holds all-out elections against the new electoral boundaries, against a volatile national political picture. Consideration needs to be given as to how to support potential candidates so that all are able to be fully informed of the role of a Councillor and the demands of the job.
- 6.12 The key governance challenges facing the Council in 2026/27 will be monitored by the Senior Leadership Team and the Audit and Risk Committee.

7. Conclusion

- 7.1 The Local Code of Corporate Governance demonstrates that the Council has arrangements in place to support the seven principles of good governance. After considering the assessments completed as part of this annual review process, the Council's governance arrangements are in place and operating effectively to support these principles and the delivery of the Council's objectives and priorities and to meet the Council's duty to secure Value for Money.
- 7.2 The assessment, however, has identified some areas where improvement is needed, and these areas are summarised in this Annual Governance Statement and set out in the Action Plan for 2026/27 at **Appendix 1**.

6: ANNUAL GOVERNANCE STATEMENT

Appendix 1: Action Plan

Financial management:

Priority 1: Financial management	Actions	Who	Target Date
Objective 1: Implement new Finance systems	Develop requirements and start procurement	CFO / AD ICT	December 2026
	Implement new solutions	CFO/AD ICT	April 2028
	Commence recruitment and deploy capacity	CFO	Ongoing
Objective 2: Finalise and implement a fit for purpose finance structure	Increase capacity of finance to ensure provision of financial data is timely and accurate to ensure robust financial management	CFO	Ongoing
Objective 3: ensure regular provision of timely financial information to both SLT, ELT, Executive and Council	Continue work with digital to identify interim solution to legacy system issues	CFO/AD ICT	December 2026
	Engage with external auditors	CFO	Ongoing
	Set up a review team and understand the Code	CFO	December 2026
Objective 4: undertake assessment against CIPFA FM Code	Conduct self-assessment against the Code	CFO	December 2026
	Develop implementation plan	CFO	December 2026
	Implement, monitor, and continuously improvement	CFO	December 2026
Objective 5: exert governance and grip around areas of high spend	Regular reporting to SLT and JLT, support meetings with high spend areas	CFO	Ongoing

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Governance

Priority 2: Governance	Actions	Who	Target Date
Objective 1: Corporate Governance embedded across all directorates	Training provided to all staff on report writing and decision making progress, to include importance of timely submission of reports and obtaining early input of MO and 151.	CLO	Ongoing
Objective 2: Review of wholly owned companies and delivery vehicles	External review carried out and recommendations to be considered and implemented.	CLO/ CICO	March 2027
Objective 3: review communication of Officer Code of Conduct and conflicts of interest	Clear communication plan to be developed and implemented. Training to be reviewed and monitored for completion.	CLO	December 2026
Objective 4: ensure lessons learned from external inspections and notices	Governance and escalation routes to be reviewed and implemented. Internal Improvement boards and notices to be rolled out	CLO	August 2026
Objective 5: provide support for potential candidate and newly elected councillors	Programme of training and education for (a) prospective and (b) newly elected councillors to be put in place ahead of (a) election and (b) annual meeting	CLO	December 2026

Transformation

Priority 3: Transformation	Actions	Who
Objective 1: integrate transformation and finance assurance functions	Continue the implementation of the agreed transformation assurance framework	ADPMO / CFO
	Continue to recruit to the additional finance assurance capacity	CFO
	Robust monitoring of capital project delivery to identify and mitigate risks to project budgets, delivery of benefits and potential loss of grant funding including project assurance reviews and planned improvements to the development of business cases.	ADPMO
Objective 2: ensure VR exercise does not undermine service delivery	Ensure governance in place to monitor financial savings against workforce capacity and resilience	CEO
	Implement internal and external comms	DCTS

Glossary of Terms

12-month expected credit losses	The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
accounting period	The period of time covered by the accounts, normally a period of 12 months ending with 31 March.
accounting estimates	Monetary amounts in financial statements that are subject to measurement uncertainty.
accounting policies	The specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements.
accruals (accrued expenditure)	Liabilities to pay for goods or services that have been received or supplied during the accounting period but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (for example amounts relating to accrued holiday pay).
accrual basis	<p>A basis of accounting under which transactions and other events are recognised when they occur even if the resulting cash receipts and payments occur in a different period.</p> <p>Under the accruals basis an authority recognises items as assets, liabilities, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the Code.</p>
active market	A market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
actuarial gains and losses (for a defined benefit pension scheme)	<p>Changes in the present value of the defined benefit obligation resulting from:</p> <p>(a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and</p> <p>(b) the effects of changes in actuarial assumptions.</p>
amortisation (depreciation)	The systematic allocation of the depreciable amount of an intangible asset over its useful life.
amortised cost of a financial asset or financial liability	The amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.
assets	A present economic resource controlled by the entity as a result of past events.
asset ceiling	The present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
assets held by a long-term employee benefit fund	<p>Assets (other than non-transferable financial instruments issued by the reporting authority) that are either:</p> <p>(a) held by a fund that is separated within the reporting authority in accordance with Local Government Pension Scheme requirements and exists solely to pay or fund employee benefits, or</p> <p>(b) held by an entity (a fund) that is legally separate from the reporting authority and exists solely to pay or fund employee benefits; and</p> <p>(c) are available to be used only to pay or fund employee benefits, are not available to the reporting authority's own creditors (even in bankruptcy), and cannot be returned to the reporting authority, unless either:</p> <p>(i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting authority; or</p> <p>(ii) the assets are returned to the reporting authority to reimburse it for employee benefits already paid.</p>
associate	An entity over which an investor (i.e. a reporting authority) has significant influence.

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authorised for issue (date)	<p>For unaudited accounts - the date on which the responsible financial officer (RFO) certifies that the accounts give a true and fair view of the authority's financial position and financial performance in advance of approval.</p> <p>For audited accounts - the date the responsible financial officer (RFO) re-certifies the financial statements before the committee, authority or body approves the financial statements in accordance with the Accounts and Audit Regulations 2015.</p>
benefits payable during employment	<p>Benefits payable during employment include</p> <p>a) Short-term employee benefits, such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services.</p> <p>b) Other long-term employee benefits (other than post-employment benefits and termination benefits) earned by current employees but not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service (e.g. long-service leave or jubilee payments and long-term disability benefits).</p>
call accounts	<p>Funds placed with a financial institution without a fixed maturity date and which can be 'called' or withdrawn at any time.</p>
capital expenditure	<p>Expenditure which falls to be capitalised in accordance with proper practices (i.e. the expenditure results in an asset being recognised on the balance sheet) or which otherwise falls to be treated as capital expenditure under regulations or by virtue of a capitalisation direction.</p>
capital receipt	<p>A sum received by the authority in respect of the disposal by it of an interest in a capital asset'. An asset is a capital asset if, at the time of the disposal, expenditure on the acquisition of the asset would be capital expenditure.</p> <p>Capital receipts also include sums to be treated as being a capital receipt under regulations. These include repayment of a loan, grant or other financial assistance, given by an authority if the same loan, grant or advance would qualify as capital expenditure if incurred at the time of the repayment. Capital receipts which, in aggregate do not exceed £10,000 are not treated as a capital receipt.</p> <p>Capital receipts can only be used for one or more of the purposes set out in regulations. For example, to finance capital expenditure, to repay the principal of any amount borrowed, to pay a premium charged in relation to any amount owed or to meet the costs of disposal of an interest in non-housing land, provided these do not exceed 4% of the capital receipt arising from the disposal.</p>
capitalisation	<p>Recognising expenditure as part of the cost of a non-current asset.</p>
carrying amount	<p>The amount at which an asset, a liability or reserve is recognised in the balance sheet.</p>
carrying amount (of an intangible asset)	<p>The amount at which an asset is recognised after deducting any accumulated amortisation and accumulated impairment losses.</p>
carrying amount (of PPE)	<p>The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.</p>
cash	<p>Cash on hand and demand deposits.</p>
cash equivalents	<p>Short-term, highly liquid investments, readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.</p>
cash flows	<p>Inflows and outflows of cash and cash equivalents.</p>
cash-generating assets	<p>Assets held with the primary objective of generating a commercial return.</p>
cash-generating unit	<p>The smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.</p>

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change in accounting estimate	An adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not correction of errors.
classification	The sorting of assets, liabilities, reserves, income or expenses on the basis of shared characteristics for presentation and disclosure purposes.
class of assets	A grouping of assets of a similar nature and use in an authority's operations.
class of financial instrument	Grouping of financial instruments that is appropriate to the nature of the information disclosed and that takes into account the characteristics of those financial instruments.
close members of the family of an individual	Those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include: <ul style="list-style-type: none">• that person's children and spouse or domestic partner• children of that person's spouse or domestic partner, and• dependants of that person or that person's spouse or domestic partner.
commencement of the lease term	The date on which a lessor makes an underlying asset available for use by a lessee.
community assets	Assets that an authority intends to hold in perpetuity, that have no determinable useful life and which may, in addition, have restrictions on their disposal. Community assets exclude assets accounted for as heritage assets. Examples include parks (excluding archaeological sites); cemeteries and crematoria (land only) and allotments where there are restrictions on alternative uses).
conditions on transferred assets	Stipulations that specify that the future economic benefits or service potential embodied in the asset are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.
constructive obligation	An obligation that derives from an authority's actions where: <ul style="list-style-type: none">• by an established pattern of past practice, published policies or a sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities, and• as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.
contingent asset	A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority.
contingent liability	(a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority, or (b) A present obligation that arises from past events but is not recognised because: (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability.
component [of an item of PPE]	Part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item.
contract	An agreement between two or more parties that creates enforceable rights and obligations.
contract asset	An authority's right to consideration in exchange for goods or services that the authority has transferred to a service recipient when that right is conditioned on something other than the passage of time (for example, the authority's future performance).
contract liability	An authority's obligation to transfer goods or services to a service recipient for which the authority has received consideration (or the amount is due) from the service recipient.

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control of an economic resource	The present ability to direct the use of the economic resource and obtain the economic benefits that may flow from it.
control of an investee	An investor (i.e. the reporting authority) controls an investee when the reporting authority is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
cost	The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of acquisition or construction.
cost approach	A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).
costs of disposal	The incremental costs directly attributable to the disposal of an asset excluding finance costs and income tax expense.
costs to sell	The incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs and income tax expense.
credit-adjusted effective interest rate	Credit-adjusted effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset.
credit-impaired financial asset	A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about (a) significant financial difficulty of the issuer or the borrower; (b) a breach of contract, such as a default or past due event;(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
credit loss	The difference between all contractual cash flows that are due to an authority in accordance with the contract and all the cash flows that the authority expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). Estimates of cash flows include consideration of all contractual terms of the financial instrument through the expected life of that instrument along with cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.
credit rating	A standardised assessment - expressed in alphanumeric characters - of the creditworthiness of an entity raising debt capital provided by credit rating agencies to investors and analysts. Ratings also serve as a measure of the risks relating to specific financial instruments.
credit risk	The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
credit risk rating grades	The rating of credit risk based on the risk of a default occurring on the financial instrument.
creditors	Financial liabilities arising from the contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier.
currency risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
current asset	An asset that is: <ol style="list-style-type: none">intended to be sold or used within the normal operating cycle (the normal operating cycle for a local authority shall be assumed to be 12 months);held primarily for the purpose of trading;expected to be realised within 12 months after the reporting date; orcash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. e)

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current liability	<p>A liability that:</p> <ol style="list-style-type: none">is expected to be settled in the normal operating cycle (the normal operating cycle for a local authority shall be assumed to be 12 months)is held primarily for the purpose of tradingis due to be settled within 12 months after the reporting period, orthe authority does not have an unconditional right to defer settlement of for at least 12 months after the reporting period.
current replacement cost	The cost the authority would incur to acquire the asset on the reporting date.
current service cost	The increase in the present value of a defined benefit obligation resulting from employee service in the current period.
current tax	The amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period.
current value (for land and buildings)	<p>The amount that would be exchanged for the asset in its existing use. Current value measurement bases include:</p> <ul style="list-style-type: none">existing use value (EUV) defined in accordance with UK VPGA 6 and UK VPGA 4 of the Royal Institution of Chartered Surveyors (RICS) <i>Valuation - Global Standards UK national supplement 2023 edition</i> for assets providing service potential to the authority where an active market exists. Where there is no market and/or the asset is specialised, depreciated replacement cost is used, andexisting use value – social housing (EUV–SH) as defined in UK VPGA 7 and UK VPGA 4 of the Royal Institution of Chartered Surveyors (RICS) <i>Valuation – Global Standards 2017: UK national supplement for operational council dwellings</i>
debtors	Financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.
deductible temporary differences	Temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.
deferred tax assets	The amounts of income taxes recoverable in future periods in respect of: (a) deductible temporary differences; (b) the carry-forward of unused tax losses; and (c) the carry-forward of unused tax credits.
deferred tax liabilities	The amounts of income taxes payable in future periods in respect of taxable temporary differences.
deficit or surplus of a defined benefit pension scheme	The present value of the defined benefit obligation less the fair value of plan assets (if any).
defined benefit (pension) plan	<p>A post-employment benefit plan other than a defined contribution plan. Under a defined benefit plan the amounts paid as retirement benefits are determined independently of the investments of the plan by reference to a formula - usually based on an employees' earnings and/or years of service.</p> <p>Defined benefit plans include both funded schemes such as the Local Government Pension Scheme and unfunded (pay as you go) schemes.</p>
defined contribution plan	A post-employment benefit plan under which an authority pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The level of benefits depends on the value of the contributions paid in respect of each member and the investment performance achieved on those contributions.
demand deposit	Interest bearing bank account not available to be used for cheques or other similar payments. Interest is usually paid at fixed intervals typically quarterly or annually. Normally repayable on demand without penalty although notice period may apply in some circumstances.
depreciable amount	The cost of an asset, or other amount substituted for cost, less residual value.

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depreciation (amortisation)	The systematic allocation of the depreciable amount of an asset over its useful life.
depreciated replacement cost (DRC) - instant build approach	A measurement technique that provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation. The 'instant build' approach excludes from the valuation any allowance for borrowing costs incurred over an assets construction period.
derecognition	The removal of all or part of a recognised asset or liability from an authority's balance sheet.
derecognition (of a financial asset or liability)	The removal of a previously recognised financial asset or financial liability from an authority' Balance Sheet.
derivative	A financial instrument or other contract within the scope of [IFRS9] with all three of the following characteristics: (a) Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the "underlying"); (b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and (c) It is settled at a future date.
discontinued operation	An activity of an authority that ceases completely. Responsibilities transferred from one part of the public sector to another are not discontinued operations.
discretionary benefits	Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers.
disposal group	A group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.
dividends	Distributions of profits to holders of equity instruments in proportion to their holdings of a particular class of capital.
donated assets	Assets (including heritage assets) transferred at nil value or acquired at less than fair value.
earmarked reserves	Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.
economic life	Either: (a) the period over which an asset is expected to yield economic benefits or service potential to one or more users; or (b) the number of production or similar units expected to be obtained from the asset by one or more users.
economic life (IFRS 16)	Either the period over which an asset is expected to be economically usable by one or more users; or the number of production or similar units expected to be obtained from an asset by one or more users.
effective date of the (lease) modification	The date when both parties agree to a lease modification
effective interest method	The method used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest revenue or interest expense in Surplus or Deficit on the Provision of Services over the relevant period.
effective interest rate	The interest rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.
economic resource	A right that has the potential to produce economic benefits, service potential or both.

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employee benefits	All forms of consideration given by an authority in exchange for service rendered by employees or for the termination of employment.
entry price	The price paid to acquire an asset or received to assume a liability in an exchange transaction.
equity instrument	A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
equity method	A method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The reporting authority's Surplus or Deficit on the Provision of Services includes its share of the investee's profit or loss and the reporting authority's Other Comprehensive Income and Expenditure includes its share of the investee's Other Comprehensive Income and Expenditure.
events after the reporting date	Those events, both favourable and unfavourable that occur between the end of the reporting period and the date when the financial statements are authorised for issue. They include: a) those events that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and b) those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).
exchange transactions	Transactions in which one entity receives assets or services, or has liabilities extinguished and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.
executory contracts	Contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent.
existing use value	The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.
exit price	The price that would be received to sell an asset or paid to transfer a liability.
expected credit losses	The weighted average of credit losses with the respective risks of a default occurring as the weights.
expenses	Decreases in economic benefits or service potential in the form of outflows or consumption of assets or increases of liabilities that result in decreases in reserves. Expenses include expenses that arise in the course of the ordinary activities and losses such as revaluation of property, plant and equipment.
fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
fair value (IFRS 16)	For the purpose of applying the lessor accounting requirements of the Code and IFRS 16, the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction
fair value less costs to sell	The amount obtainable from the sale of an asset (or cash-generating unit) in an arm's length transaction between knowledgeable, willing parties, less costs of disposal.
finance lease (for lessors only-)	A lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset
financial asset	A right to future economic benefits controlled by the authority that is represented by: <ul style="list-style-type: none">• cash• an equity instrument of another entity• a contractual right to receive cash (or another financial asset) from another entity• a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the authority.

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financial guarantee contract	A contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.
financial instrument	<p>Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.</p> <p>The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.</p>
financial liability	<p>An obligation to transfer economic benefits controlled by the authority that is represented by:</p> <ul style="list-style-type: none">• a contractual obligation to deliver cash (or another financial asset) to another entity• contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the authority.
financial liability at fair value through profit or loss	A financial liability at fair value through profit or loss is a financial liability that meets one of the following conditions: a) it meets the definition of held for trading; b) upon initial recognition it is designated by the authority as at fair value through profit or loss in accordance with paragraph 7.1.5.8 of the Code or paragraph 4.3.5 of IFRS 9; c) it is designated either upon initial recognition or subsequently as at fair value through profit or loss in accordance with paragraph 6.7.1 of IFRS 9.
financial risk	The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, currency exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.
financing activities	Activities that result in changes in the size and composition of the principal, received from or repaid to external providers of finance.
fixed payments (IFRS 16)	Payments made by a lessee to a lessor for the right to use an underlying asset during the lease term, excluding variable lease payments.
future economic benefit or service potential	Economic benefits refer to the potential to contribute directly or indirectly to the flow of cash and cash equivalents to an entity. Service potential indicates the capacity of an asset to provide goods and services in accordance with an entity's objectives, without necessarily generating any net in-flows of cash and cash equivalents.
gilts	UK government securities issued by HM Treasury.
going concern assumption	The assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.
government	Central government, government agencies and similar bodies whether local, national or international.
government-related entity	An entity that is controlled, jointly controlled or significantly influenced by a government.
grants and contributions	Assistance in the form of transfers of resources to an authority in return for past or future compliance with certain conditions relating to the operation of activities. They exclude those forms of assistance which cannot reasonably have a value placed upon them and transactions with organisations which cannot be distinguished from the normal service transactions of the authority.
gross carrying amount of a financial asset	The amortised cost of a financial asset, before adjusting for any loss allowance.
gross investment in the lease	The sum of: (a) the lease payments receivable by a lessor under a finance lease; and (b) any unguaranteed residual value accruing to the lessor.
group	A parent and all its subsidiaries.

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group accounts	The financial statements of a group in which the assets, liabilities, reserves, income, expenses and cash flows of the parent (reporting authority) and its subsidiaries plus the investments in associates and interests in joint ventures are presented as those of a single economic entity.
guaranteed residual value	For a lessee, that part of the residual value that is guaranteed by the lessee or by a party related to the lessee (the amount of the guarantee being the maximum amount that could, in any event, become payable); and For a lessor, that part of the residual value that is guaranteed by the lessee, or by a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.
held for trading	Held for trading is a financial asset or financial liability that: a) is acquired or incurred principally for the purpose of selling or repurchasing it in the near term b) on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or c) is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).
heritage assets	Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the reporting authority in pursuit of its overall objectives in relation to the maintenance of heritage. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, historic motor vehicles, civic regalia, orders and decorations (medals), museum and gallery collections and works of art.
highest and best use	The use of a non-financial asset by market participants that would maximise the value of the asset or the group of assets and liabilities (e.g. a business) within which the asset would be used.
highly probable	Significantly more likely than probable.
historical cost (of property, plant and equipment)	The carrying amount of an asset as at 1 April 2007 (i.e. b/f from 31 March 2007) or at the date of acquisition, whichever date is the later and adjusted for subsequent depreciation or impairment (if applicable).
identifiable (asset)	An asset is identifiable if it either: (a) is separable, i.e. capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or (b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.
impairment loss	The amount by which the carrying amount of an asset exceeds its recoverable amount.
impracticable	Applying a requirement is impracticable when the authority cannot apply it after making every reasonable effort to do so.
inception date of the lease	The earlier of the date of a lease agreement and the date of commitment by the parties to the principal terms and conditions of the lease
income	Increases in assets, or decreases in liabilities, that result in increases in reserves. Income includes both revenue arising in the normal operating activities of an authority and gains such as the revaluation of property, plant and equipment.
income approach	A valuation technique that converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
income from a structured entity	Income that includes but is not limited to, recurring and non-recurring fees, interest, dividends, gains or losses on the remeasurement or derecognition of interests in structured entities and gains or losses from the transfer of assets and liabilities to the structured entity.
infrastructure assets	Inalienable assets, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use; examples include highways, structural maintenance of highways, footpaths, bridges, permanent ways, coastal defences, water and drainage systems).

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Initial direct costs (of a lease)	The incremental costs of obtaining a lease that would not have been incurred if the lease had not been obtained, except for such costs incurred by a manufacturer or dealer lessor in connection with a finance lease.
inputs	The assumptions that market participants would use when pricing the asset or liability, including assumptions about risk, such as the following: a) the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model), and b) the risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable.
input tax	VAT charged on purchases.
insurance contract	A contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
insurance risk	Risk, other than financial risk, transferred from the holder of a contract to the issuer.
insured event	An uncertain future event covered by an insurance contract that creates insurance risk.
investment contract with discretionary participation features	A financial instrument that provides a particular investor with the contractual right to receive, as a supplement to an amount not subject to the discretion of the issuer, additional amounts: (a) that are expected to be a significant portion of the total contractual benefits; (b) the timing or amount of which are contractually at the discretion of the issuer; and (c) that are contractually based on: (i) the returns on a specified pool of contracts or a specified type of contract; (ii) realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or (iii) the profit or loss of the entity or fund that issues the contract.
intangible asset	An identifiable non-monetary asset without physical substance. It must be controlled by the authority as a result of past events, and future economic benefits or service potential must be expected to flow from the intangible asset to the authority. The most common class of intangible asset in local authorities is computer software.
intangible heritage asset	An intangible asset with cultural, environmental or historical significance. Examples of intangible heritage assets include recordings of significant historical events.
interest in another entity	Contractual and non-contractual involvement that exposes a reporting authority to variability of returns from the performance of the other entity. An interest in another entity can be evidenced by, but is not limited to, the holding of equity or debt instruments as well as other forms of involvement such as the provision of funding, liquidity support, credit enhancement and guarantees. It includes the means by which an entity has control or joint control of, or significant influence over, another entity. A reporting authority does not necessarily have an interest in another entity solely because of a typical customer–supplier relationship.
interest rate implicit in the lease	The rate of interest that causes the present value of: a) the lease payments, and b) the unguaranteed residual value to equal the sum of: i) the fair value of the underlying asset, and ii) any initial direct costs of the lessor.
interest rate risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
inventories	Assets: a) in the form of materials or supplies to be consumed in the production process b) in the form of materials or supplies to be consumed or distributed in the rendering of services c) held for sale or distribution in the ordinary course of operations, or d) in the process of production for sale or distribution.

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investing activities	Activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.
investment property	Property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for: a) use in the production or supply of goods or services or for administrative purposes, or b) sale in the ordinary course of operations.
joint arrangement	An arrangement of which two or more parties have joint control.
joint control	The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
joint operation	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.
joint operator	A party to a joint operation that has joint control of that joint operation.
joint venture	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.
joint venturer	A party to a joint venture that has joint control of that joint venture.
key management personnel	All chief officers (or equivalent), elected members, chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.
lease	A contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time.
leases for nil consideration	Leases that do not include the provision of consideration but that in all other respects meet the definition of a lease.
leases at peppercorn or nominal lease payments*	Leases for which consideration is paid but the lease payments are substantially below market lease payments.
lease incentives	Payments made by a lessor to a lessee associated with a lease, or the reimbursement or assumption by a lessor of costs of a lessee.
lease modification*	A change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).
lease payments	<p>Payments made by a lessee to a lessor relating to the right to use an underlying asset during the lease term, comprising the following:</p> <ul style="list-style-type: none">(a) fixed payments (including in-substance fixed payments), less any lease incentives;(b) variable lease payments that depend on an index or a rate;(c) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and(d) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. <p>For the lessee, lease payments also include amounts expected to be payable by the lessee under residual value guarantees. Lease payments do not include payments allocated to non-lease components of a contract, unless the lessee elects to combine non-lease components with a lease component and to account for them as a single lease component. For the lessor, lease payments also include any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee. Lease payments do not include payments allocated to non-lease components.</p>

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lease term	the non-cancellable period for which a lessee has the right to use an underlying asset, together with both: a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.
legal obligation	An obligation that derives from a contract (through its explicit or implicit terms); legislation, or other operation of law.
lessee	An authority that obtains the right to use an underlying asset for a period of time
lessee's incremental borrowing rate	The rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.
lessor	An authority that provides the right to use an underlying asset for a period of time.
level 1 inputs	Quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
level 2 inputs	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
level 3 inputs	Unobservable inputs for the asset or liability.
liability	A present obligation of the authority to transfer an economic resource as a result of past events.
lifetime expected credit losses	The expected credit losses that result from all possible default events over the expected life of a financial instrument.
liquidity risk	The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.
loans payable	Financial liabilities, other than short-term trade payables on normal credit terms.
loss allowance	The allowance for expected credit losses on financial assets measured in accordance with paragraph 7.1.5.2 of the Code (i.e. at amortised cost), lease receivables and contract assets, the accumulated impairment amount for financial assets measured in accordance with paragraph 7.1.5.3 of the Code (i.e. fair value through other comprehensive income) and the provision for expected credit losses on loan commitments and financial guarantee contracts.
market approach	A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.
market-corroborated inputs	Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
market participants	Buyers and sellers in the principal (or most advantageous) market for the asset or liability that have all of the following characteristics: a) They are independent of each other, i.e. they are not related parties as defined in IAS 24, although the price in a related party transaction may be used as an input to a fair value measurement if the entity has evidence that the transaction was entered into at market terms. b) They are knowledgeable, having a reasonable understanding about the asset or liability and the transaction using all available information, including information that might be obtained through due diligence efforts that are usual and customary. c) They are able to enter into a transaction for the asset or liability. d) They are willing to enter into a transaction for the asset or liability, i.e. they are motivated but not forced or otherwise compelled to do so.
market risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.

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material	Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific local authority.
minimum revenue provision (MRP)	The minimum amount that must be set aside from the General Fund to meet the capital cost of expenditure funded by borrowing or credit arrangements.
minority interest	The equity in a subsidiary not attributable, directly or indirectly, to a parent.
modification gain or loss	The gain or loss arising from adjusting the gross carrying amount of a financial asset to reflect the renegotiated or modified contractual cash flows. Adjustment of the gross carrying amount reflects the estimated future cash payments or receipts through the expected life of the renegotiated or modified financial asset, discounted at the asset's original effective interest rate (or the original credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The estimated future cash flows of a financial asset exclude expected credit losses, unless the financial asset is a purchased or originated credit-impaired financial asset.
money market fund	A regulated, stand-alone pooled investment vehicle which actively invests its assets in a diversified portfolio of mainly high grade, short-term money market instruments such as bank deposits, certificates of deposit and commercial paper. Money market funds may also hold other types of securities such as floating rate notes and fixed rate bonds which have only a short time until their maturity.
most advantageous market	The market that maximises the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability, after taking into account transaction costs and transport costs.
multi-employer plans	Defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that: a) pool the assets contributed by various entities that are not under common control, and b) use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.
net book value	See 'carrying amount'.
net defined benefit liability (asset)	The deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.
net interest on the net defined benefit liability (asset)	The change during the period in the net defined benefit liability (asset) that arises from the passage of time.
net investment in the lease	The gross investment in the lease discounted at the interest rate implicit in the lease.
net realisable value (of inventories)	The estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.
non-cash generating assets	Assets other than cash-generating assets.
non-current assets held for sale	Non-current assets whose carrying amount will be recovered principally through a sale transaction rather than through continued use.
non-current asset	An asset that does not meet the definition of a current asset. Non-current asset include those assets - such as property, plant and equipment - that provide benefits to the authority for a period of more than one year.
non-exchange transactions	Transactions that are not exchange transactions. In a non-exchange transaction, an authority either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange directly receiving approximately equal value in exchange.
non-operational assets	Assets held but not occupied, used or consumed in the production or supply of goods and services, for rental to others, or for administrative purposes. Non-operational assets include surplus assets (i.e. assets that are not being held for operational capacity, but that do not meet the criteria to be classified as either investment properties) and assets under construction.

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non-performance risk	The risk that an entity will not fulfil an obligation. Non-performance risk includes, but may not be limited to, the entity's own credit risk.
non-specified investments	Investments not meeting the definition of 'specified investments'.
notes	Notes contain information in addition to that presented in the Comprehensive Income and Expenditure, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement. Notes provide narrative descriptions or disaggregations of items presented in those statements and information about items that do not qualify for recognition in those statements.
obligating event	An event that creates a legal or constructive obligation that results in an authority having no realistic alternative to settling that obligation.
obligation	A duty or responsibility that an authority has no practical ability to avoid. An obligation is always owed to another party (or parties) which could be one or more persons or entities, or society at large. It is not necessary to know to whom the obligation is owed.
observable inputs	Inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability.
onerous contract	A contract for the exchange of assets or services in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits or service potential expected to be received under it.
operating activities	The activities of the authority that are not investing or financing activities.
operational assets	Assets occupied, used or consumed in the production or supply of goods and services for which it has either a statutory or discretionary responsibility, for rental to others, or for administrative purposes
operating lease (for lessors only)	A lease that does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.
optional lease payments	Payments to be made by a lessee to a lessor for the right to use an underlying asset during periods covered by an option to extend or terminate a lease that are not included in the lease term.
operating segment	An operating segment is a component of an authority that engages in activities and whose operating results are reviewed regularly as part of internal management reporting for the purpose of (a) evaluating the authority's past performance in achieving its objectives and (b) making decisions about the future allocation of resources.
optional lease payments)	Payments to be made by a lessee to a lessor for the right to use an underlying asset during periods covered by an option to extend or terminate a lease that are not included in the lease term.
orderly transaction	A transaction that assumes exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (e.g. a forced liquidation or distress sale).
other comprehensive income and expenditure	Items of expense and income (including reclassification adjustments) that are not recognised in the Surplus or Deficit on the Provision of Services as required or permitted by the Code. Examples include changes in revaluation surplus and remeasurement of the net defined benefit liability (asset).
other long-term employee benefits	Employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.
other price risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
output tax	VAT charged on sales.
oversight	The supervision of the activities of an authority, with the authority and responsibility to control, or exercise significant influence over, the financial and operating decisions of the authority.

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owner-occupied property	Property held (by the owner or by the lessee under a finance lease) for use in the delivery of services or production of goods or for administrative purposes.
parent	An entity (i.e. reporting authority) that has one or more subsidiaries.
party to a joint arrangement	An entity that participates in a joint arrangement, regardless of whether that entity has joint control of the arrangement.
past due	A financial asset is past due when a counterparty has failed to make a payment when that payment was contractually due.
past service cost	The change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the authority in the number of employees covered by a plan).
performance obligation	A promise in a contract with a service recipient to transfer to the service recipient either: a) a good or service (or a bundle of goods or services) that is distinct; or b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the service recipient.
period of use	Period of use is the total period of time that an asset is used to fulfil a contract with a customer (including any non-consecutive periods of time).
plan assets	a) assets held by a long-term employee benefit fund, and b) qualifying insurance policies.
post-employment benefits	Employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment. Post-employment benefits cover not only pensions but also other benefits payable post-employment such as life insurance and medical care.
post-employment benefit plans	Formal or informal arrangements under which an authority provides post-employment benefits for one or more employees.
power	Existing rights that give the current ability to direct the relevant activities.
prepayment/ payments in advance	An asset in respect of payments made for goods or services that have not yet been received or supplied.
present value of a defined benefit obligation	The present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.
principal market	The market with the greatest volume and level of activity for the asset or liability.
prior period errors	Omissions from, and misstatements in, the authority's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that: a) was available when financial statements for those periods were authorised for issue, and b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.
probable	More likely than not.
projected unit method	Actuarial valuation method used to determine the present value of defined benefit pension fund liabilities and service cost. The Projected Unit Credit Method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.
proper (accounting) practices (as defined by regulations)	Accounting practices contained in 'The Code of Practice on Local Authority Accounting in the United Kingdom' published by CIPFA, as amended or reissued from time to time.
property, plant and equipment	Tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

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prospective application	Prospective application of a change in accounting policy and of recognising the effect of a change in an accounting estimate, respectively, are: a) applying the new accounting policy to transactions, other events and conditions occurring after the date as at which the policy is changed, and b) recognising the effect of the change in the accounting estimate in the current and future periods affected by the change.
protective rights	Rights designed to protect the interest of the party holding those rights without giving that party power over the entity to which those rights relate
provision	A liability of uncertain timing or amount.
PWLB	Statutory body operating within the United Kingdom Debt Management office, an Executive Agency of HM Treasury. PWLB's whose function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.
purchased or originated credit-impaired financial asset	Purchased or originated financial asset(s) that are credit-impaired on initial recognition.
puttable instrument	A financial instrument that gives the holder the right to put the instrument back to the issuer for cash or another financial asset or is automatically put back to the issuer on the occurrence of an uncertain future event or the death or retirement of the instrument holder.
qualified valuer	A person conducting the valuations who holds a recognised and relevant professional qualification and having sufficient current local and national knowledge of the particular market, and the skills and understanding to undertake the valuation competently.
quoted in an active market	A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transaction on an arm's-length basis.
receipts in advance	A liability relating to resources received but in respect of which the relevant revenue recognition criteria have not been met.
receivable	Unconditional rights to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.
reclassification adjustments	Amounts reclassified to Surplus or Deficit on the Provision of Services in the current period that were recognised in Other Comprehensive Income and Expenditure in the current or previous periods.
reclassification date	The first day of the first reporting period following the change in business model that results in an authority reclassifying financial assets.
recognition	The process of capturing for inclusion in the in the balance sheet or comprehensive income and expenditure statement an item that meets the definition of one of the elements of financial statements -an asset, a liability, reserve, income or expenses. Recognition involves depicting the item in one of those statements - either alone or in aggregation with other items - in words and by a monetary amount and including that amount in one or more totals in that statement.
recoverable amount (of an asset)	The higher of fair value less costs to sell (i.e. net selling price) and its value in use.
related party	A person or entity that is related to the entity that is preparing its financial statements (the 'reporting entity'). (a) A person or a close member of that person's family is related to a reporting entity if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to a reporting entity if any of the following conditions apply:

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- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Council.

reinsurance contract An insurance contract issued by one entity (the reinsurer) to compensate another entity for claims arising from one or more insurance contracts issued by that other entity (underlying contracts).

related party transaction A transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the authority or the government of which it forms part. Examples of related party transactions include sales, transfers and exchanges of non-current assets, leases, guarantees, the provision of goods and services, secondment of staff and the making of loans and investments.

relevant activities, remeasurements of the net defined benefit liability (asset) Activities of the investee that significantly affect the investee's returns. Remeasurements comprise:

- (a) actuarial gains and losses;
- (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and
- (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

remuneration of key management personnel Any consideration or benefit derived directly or indirectly by key management personnel from the authority for services provided in their capacity as elected members or otherwise as employees of the authority. It includes all amounts paid to or receivable by a person, and includes sums due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash.

reporting date The date of the last day of the reporting period to which the financial statements relate.

reserves The residual interest in the assets of the authority after deducting all its liabilities. They include usable reserves (i.e. those that an authority may use to provide services either by incurring expenses or undertaking capital investment) and unusable reserves (those that an authority is not able to utilise to provide services). The latter includes reserves that hold unrealised gains and losses and those that hold timing differences shown in the movement in reserves statement line 'Adjustments between the accounting basis and funding basis under regulations'. This includes reserves that hold unrealised gains and losses and those that hold timing differences shown in the movement in reserves statement line on adjustments between the accounting basis and funding basis.

residual value (of an asset) The estimated amount that an authority would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

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residual value guarantee	A guarantee made to a lessor by a party unrelated to the lessor that the value (or part of the value) of an underlying asset at the end of a lease will be at least a specified amount.
restrictions on transferred assets	Stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are required to be returned to the transferor if not deployed as specified.
restructuring	A programme that is planned and controlled by management, and materially changes either: (i) the scope of an authority's activities, or (ii) the manner in which those activities are carried out.
retrospective application	Applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.
retrospective restatement	Correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.
return on plan assets	Interest, dividends and other income derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less: (a) any costs of managing plan assets; and (b) any tax payable by the plan itself, other than tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.
revenue (income)	Revenue is income arising as a result of an authority's normal operating activities.
revenue expenditure	Expenditure on day-to-day items including the running of services, such as staffing and office costs, as opposed to capital expenditure.
revenue expenditure funded from capital under statute (REFCUS)	Expenditure that is not permitted to be capitalised (as a non-current asset) under proper practices but which under regulations or by virtue of a capitalisation direction, is classified as capital for funding purposes. Examples include: <ul style="list-style-type: none">• capital grants and financial assistance to third parties towards expenditure which would, if incurred by the authority, be capital expenditure;• expenditure incurred on works to any land or building in which the local authority does not have an interest, which would be capital expenditure if the local authority had an interest in that land or building).
right-of-use asset	An asset that represents a lessee's right to use an underlying asset for the lease term.
senior employee	An employee: <ul style="list-style-type: none">• whose salary is £150,000 or more per year, or• whose salary is £50,000 or more per year (to be calculated pro rata for an employee employed for fewer than the usual full-time hours for the relevant authority concerned) and who is either:<ul style="list-style-type: none">(a) the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a body, as defined by the Local Government and Housing Act 1989;(b) the head of staff for a body which does not have a designated head of paid service; or(c) any person having responsibility for the management of the body to the extent that the person has power to direct or control the major activities of the body during the year (in particular activities involving the expenditure of money), whether solely or collectively with other persons.
separate financial statements	See 'single entity financial statements'.
separate vehicle	A separately identifiable financial structure, including separate legal entities or entities recognised by statute, regardless of whether those entities have a legal personality.
service cost (of a defined benefit obligation)	Service cost comprises current service cost, past service cost and any gain or loss on settlement.
service recipient	A party that has contracted with an authority to obtain goods or services that are an output of the authority's normal operating activities in exchange for consideration.

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settlement (of a defined benefit obligation)	A transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions.
short-term employee benefits	Employee benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits include: a) wages, salaries and social security contributions b) paid annual leave and paid sick leave c) profit-sharing and bonuses d) non-monetary benefits.
short-term lease	A lease that, at the commencement date, has a lease term of 12 months or less. A lease that contains a purchase option is not a short-term lease.
short-term paid absences	Periods during which an employee does not provide services to the employer, but benefits continue to be paid. Paid absences may be accumulating or non-accumulating. Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. In local authorities, annual leave, flexitime and time in lieu would usually be accumulating. Accumulating absences may be either vesting or non-vesting. Where vesting, employees who leave are entitled to a cash payment in respect of any unused entitlement; where non-vesting, benefits lapse if an employee leaves before the vesting date.
single entity financial statements	Those statements presented by a parent (i.e. a reporting authority with control of a subsidiary) or an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost or in accordance with chapter seven of the Code. In the context of the Code, an authority's single entity financial statements are deemed to be separate financial statements.
significant influence	The power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence may be gained by share ownership, statute or agreement.
soft loan	A loan at nil or below prevailing interest rates.
specified investment	An investment that is: (a) denominated in sterling with any payments or repayments payable only in sterling; (b) not a long-term investment (i.e. repayable after more than 12 months) (c) not defined as capital expenditure under regulations (d) made with a body or in an investment scheme of high credit quality or with one of the following public-sector bodies: (i) the United Kingdom Government (ii) a local authority in England or Wales or a similar body in Scotland or Northern Ireland (iii) a parish council or community council.
stipulations on transferred assets	Terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting authority.
stand-alone selling price (of a good or service)	The price at which an authority would sell a promised good or service separately to a service recipient.
structured entity	An entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.
sublease (IFRS 16)	A transaction for which an underlying asset is re-leased by a lessee ('intermediate lessor') to a third party, and the lease ('head lease') between the head lessor and lessee remains in effect.
subsidiary	An entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).

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surplus or deficit on the provision of services	The total of income less expenses, excluding the components of Other Comprehensive Income and Expenditure.
tangible heritage asset	A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.
taxable profit (tax loss)	The profit (loss) for a period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable (recoverable).
taxable temporary differences	Temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.
tax base of an asset or liability	The amount attributed to that asset or liability for tax purposes.
tax expense (tax income)	The aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax. Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).
temporary differences	Differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Temporary differences may be either: (a) taxable temporary differences; or (b) deductible temporary differences.
term deposits (time deposits)	A type of interest-bearing account for a fixed period of time - ranging from overnight to 5 years - and from which the depositor cannot withdraw funds before the maturity date without incurring a penalty. Time deposits typically pay a fixed rate of interest payable on maturity although longer sated deposits may make interim interest payments.
termination benefits	Employee benefits payable as a result of either: a) an employer's decision to terminate an employee's employment before the normal retirement date, or b) an employee's decision to accept an offer of benefits in exchange for the termination of employment (e.g. voluntary redundancy). They are often lump-sum payments, but also include enhancement of retirement benefits; and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the authority.
total comprehensive income and expenditure	All components of Surplus or Deficit on the Provision of Services and of Other Comprehensive Income and Expenditure.
trade payables	Liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier but for which payment has not been made by the end of that accounting period.
trade receivables	Amounts owed by customers (individuals or corporations) for goods or services that have been delivered or supplied and have been invoiced or formally agreed with the customer but not yet paid for. A trade receivables represents an unconditional right to receive consideration from a customer with nothing, other than the passage of time, being required before payment of that consideration is due.
trading operations	Services provided: <ul style="list-style-type: none">• in a 'competitive environment' - i.e. the user has discretion to use an alternative provider,• to users (internal and external) on a basis other than a straightforward recharge of cost, such as a quoted price or a schedule of rates or a combination of these.
transaction costs	The costs to sell an asset or transfer a liability in the principal (or most advantageous) market for the asset or liability that are directly attributable to the disposal of the asset or the transfer of the liability and meet both of the following criteria: (a) they result directly from and are essential to that transaction.

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	(b) they would not have been incurred by the entity had the decision to sell the asset or transfer the liability not been made (similar to costs to sell, as defined in IFRS 5).
transaction costs financial instruments)	Incremental costs directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument
transaction price (for a contract with a service recipient)	The amount of consideration to which an authority expects to be entitled in exchange for transferring promised goods or services to a service recipient, excluding amounts collected on behalf of third parties.
transfers	Inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.
transfer of a function to or from a local authority	A transfer of an identifiable service or business operation with an integrated set of activities, staff and recognised assets and/or liabilities that are capable of being conducted and managed to achieve the objectives of that service or business operation.
transport costs	The costs that would be incurred to transport an asset from its current location to its principal (or most advantageous) market.
underlying asset (IFRS 16)	An asset that is the subject of a lease, for which the right to use that asset has been provided by a lessor to a lessee.
unearned finance income	The difference between: (a) the gross investment in the lease; and (b) the net investment in the lease
unguaranteed residual value (IFRS 16)	That portion of the residual value of the underlying asset, the realisation of which by a lessor is not assured or is guaranteed solely by a party related to the lessor.
unit of account	The level at which an asset or a liability is aggregated or disaggregated in an IFRS for recognition purposes.
unobservable inputs	Inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.
Useful life (IFRS 16)	The period over which an asset is expected to be available for use by an authority; or the number of production or similar units expected to be obtained from an asset by an authority
useful life	The period of time over which an asset is expected to be available for use by an authority.
value in use of a cash-generating asset	The present value of the future cash flows expected to be derived from an asset.
value in use of a non-cash generating asset	The present value of the asset's remaining service potential. This is assumed to be at least equal to the cost of replacing that service potential.
variable lease payments (The portion of payments made by a lessee to a lessor for the right to use an underlying asset during the lease term that varies because of changes in facts or circumstances occurring after the commencement date, other than the passage of time.
VAT	An indirect tax levied on most business transactions and on many goods and some services.
vested employee benefits	Employee benefits, the rights to which are, not conditional on future employment.

ABBREVIATIONS

AVC	Additional Voluntary Contribution
BEIS	Department for Business, Energy & Industrial Strategy
BID	Business Improvement District
BMW	Biodegradable Municipal Waste
CAA	Capital Adjustment Account
CFO	Chief Finance Officer
CFR	Capital Financing Requirement
CIES	Comprehensive Income and Expenditure Statement
CIFPA	The Chartered Institute of Public Finance and Accountancy
CPI	Consumer Prices Index
DBEIS	Department for Business, Energy & Industrial Strategy
DECC	Department of Energy and Climate Change
DEFRA	Department for Environment, Foods and Rural Affairs
DHSC	Department of Health and Social Care
DRC	Depreciated Replacement Cost
DSG	Dedicated Schools Grant
DWP	Department of Work and Pensions
ECL	Expected Credit Loss
EIR	Effective Interest Rate
EUV	Existing Use Value
FRICS	Fellow of Royal Institution of Chartered Surveyors
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value through Profit or Loss
HMRC	Her Majesty's Revenue and Customs
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IB-DRC	Instant Build Depreciated Replacement Cost
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LCTS	Local Council Tax Support
LGA 2003	Local Government Act 2003
LGPS	Local Government Pension Scheme
MHCLG	Ministry of Housing, Communities and Local Government
MiRS	Movement in Reserves Statement
MMI	Municipal Mutual Insurance
MRICS	Member of the Royal Institution of Chartered Surveyors
MRP	Minimum Revenue Provision
NBV	Net Book Value
NDR (NDR)	National Non-Domestic Rates (Business Rates)

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NHS National Health Service

NHSBSA NHS Business Services Authority

OCI Other Comprehensive Income

OEIC Open Ended Investment Company

PFI Private Finance Initiative

PPE Property, Plant and Equipment

PPP Public Private Partnership

PWLB Public Works Loan Board

REFCUS Revenue Expenditure Funded from Capital under Statute

RFO Responsible Finance Officer

RICS Royal Institution of Chartered Surveyors

RPA Rural Payments Agency

RPI Retail Prices Index

RSG Revenue Support Grant

RSL Registered Social Landlord

RTB Right to Buy

SeRCOP Service Reporting Code of Practice

SI Statutory Instrument

SIP Statement of Investment Principles

SOLACE The Society of Local Authority Chief Executives and Senior Managers

SPPI Solely payments of principal and interest

TMPs Treasury Management Practices

UEL Useful Economic Life

VAT Value Added Tax

VOA Valuation Office Agency